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# Near East/South Asia Report

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14 May 1984

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ISSUE OF PROTECTION FOR NATIONAL INDUSTRIES DEBATED

Cairo AL-AHRAM AL-IQTISADI in Arabic No 791, 12 Mar 84 pp 18-19

[Article by Jamal Amin: "Egyptian Industry and the Fluctuation Between Protection and Competition"]

[Text] The policy with regard to Egyptian industry has fluctuated between protection and competition during the course of its long growth and development. During the fifties and all during the sixties, Egyptian industry stood behind the huge walls of protection which the government had set up in order to protect this newly-born national industry from the dangerous winds which might kill it while it was still in the cradle and unable to stand up to the strong young industries of other nations. Egyptian industry continued to grow and develop in Egypt when it was behind this iron curtain of protection, and did so in isolation from the developments which affected other industries throughout the world at that time. However, when the open-door economic policy began to be applied, these protection barriers which sheltered Egyptian industry began to tumble down. There then began a period of intense competition during which Egyptian industry faced a serious challenge. The products produced by Egyptian industry then stood face to face in the field of battle and competition--in Egyptian industry's own back yard--with the products produced by foreign industries, and it was an unequal battle as far as the Egyptian consumers were concerned because they were consumers who, when choosing between locally-made goods and imported foreign goods, were often guided by their mental complex which led them to believe that foreigners were superior to Egyptians. During this unequal battle, some Egyptian industries continued to stand their ground in spite of the tough and difficult circumstances they had to endure in the face of the invasion of foreign industrial goods, whereas other Egyptian industries were killed off, with the doors to their plants being shut down and with their skilled workers being dismissed.

After this uneven fluctuation between these two different policies which has been experienced by Egyptian industry during the last 20 years, there remain certain important questions which need to be answered, and they are the following: In the view of economists and industrialists, how important are both protection and competition as far as Egyptian industry is concerned? What has each of these two policies contributed to this industry during the course of its growth and development? What are the advantages and

disadvantages of each of these two approaches? What are the features and characteristics of the policy which is necessary for the development of Egyptian industry in accordance with the technological developments which have been undergone by foreign industries--without Egyptian industry losing its authentic identity? All of these questions and others were the subject of a debate during a symposium held by the Alumni Association of the National Higher Administration Institute.

#### Foreign Industries and Industry in Egypt

Dr 'Adil (Jazzarin), head of the General Engineering Industries Authority, asserts that great differences emerge when we compare Egyptian industry with foreign industries: "When speaking of industry in general, we should distinguish between foreign industries and the nature of industry in Egypt. If we look at the nature of foreign industries, we find that there are two clear approaches which they follow. The first of these is the approach of mass production. This approach has been a result of the competition and increase in the cost of labor which has led these industries to mechanize and to increase the volume of their production, and this, in turn, has led to the emergence of huge business conglomerates. The second feature which is characteristic of foreign industries is the rapid technological development which all types of industries have undergone. Foreign industries set aside a large percentage of their profits for investment in research and development. For this reason, foreign industries have undergone rapid development which it is difficult for the industries of the developing nations to keep up with.

"As for industry in Egypt, we find that it can be characterized as follows:

"The concept of the development of industry in Egypt has changed during the course of the various periods of its history. During the initial stages of the growth of this industry, the objective was to establish an industry which would possess all of the prerequisites for economic success. Projects were set up on the basis of economic principles which were 100 percent sound. The stress and emphasis was on the necessity of having the prerequisites for success for any industry before establishing it. For example, there did exist the prerequisites for success of the textile, shoe, and sugar industries (that is, the necessary market, labor force, raw materials, and investments). This is why people got the idea of establishing these industries.

"After that, however, there appeared other concepts, and the objective of these concepts was to create new employment opportunities and utilize the surplus labor force which existed.

"During a subsequent stage, the purpose of establishing some of the industries was to create a type of self-sufficiency in manufacturing, and the slogan then was 'from the needle to the rocket.' This approach was applied to many industries, even though the prerequisites for the success of these industries did not exist.

"Right now we still have industries for which the prerequisites for success continue to exist, such as the textile industry, the petroleum industry, and some engineering industries.

"But there are industries for which the prerequisites for success do not exist because their volume of business is far less than the volume of business in the world as a whole or because the technology which they operate with is backward and they suffer from problems because of this. In addition to this, there are the problems which the public sector industries suffer from such as lack of investment, failure to replace [old machinery, etc.], lack of renovation, the isolation in which the industries continue to operate, the decline of some of the successful industries, and problems relating to the skilled labor force and the fact that the technical labor force is going abroad to work."

Dr (Jazzarin) went on to say: "We must impose protection in order to enable Egyptian industry to survive. However, the degree of protection should vary from one industry to another until we review our industrial policy. We should continue to support successful industries, but we should abandon unsuccessful industries. Also, we should face reality and admit the fact that there are industries established which do not have the prerequisites for success. For this reason, we must utilize protection, provided that there are price controls and guarantees as well as the existence of limited competition which would push these industries to develop further."

#### What Type of Protection Should We Use?

After agreement was reached concerning the necessity of providing protection for Egyptian industry, Mr 'Ali Idris, head of the Alumni Association of the National Higher Administration Institute, asked the following question: "What type of protection should we utilize? Protection ranges all the way from totally prohibiting imports to imposing high customs duties on imports."

Dr Ibrahim Sa'd-al-Din replied as follows: "Egyptian industry, including both private sector and public sector industry, accounts for only 22 percent of our national income. Protection as far as Egyptian industry is concerned means protecting the domestic market from foreign competition, and it does not mean dominating the industry or channelling it in a given direction. In other words, it means protecting domestic industry against foreign competition. As for industrial relations within Egypt, there are many things which both control and regulate them.

"In light of the economics of the market, protection might take on the form of customs duties which could be both increased and decreased. This is the traditional form of protection. There are also such things as the quota system, import licenses, and total prohibition of imports. However, these forms of protection are only considered in rare instances and for reasons which have less to do with protecting industry than they do with the national economy as a whole--regardless of whether or not there is a national industry which requires this protection. For example, during the fifties Egypt had no

industry which manufactured automobiles or refrigerators. In spite of this fact, there was a limitation on the importing of automobiles and refrigerators. This limitation had nothing to do with protecting an automobile or refrigerator industry. It was the deficit in balance of payments which the nation suffered from at that time which did not allow the importing of these items since they were not considered to be priority items. Consequently the import prohibition in this case was effected in order to protect the balance of payments and deal with the deficit which it suffered from, regardless of whether a particular industry existed or not."

Dr Sa'd-al-Din continued: "In some instances the import prohibition is utilized to protect a domestic market where an industry has been established which requires a large volume [of production] and a more extensive production capability than [is required for] the domestic market. In such a case the import prohibition is required even if it was an erroneous action to establish the industry (that is, the industry had no prerequisites for success) because the investments have already been utilized.

"Clearly there is no basic rule for the utilization of protection. Each individual case is studied as such, and the particular type of protection required in this individual case is determined--with the stipulation that the purpose of the protection not be to enable an inefficient industry to continue in the long run, because the continuation of such an industry would represent a loss for the national economy as a whole."

He went on to say: "Technological development, with the rapid obsolescence of the implements of production which it entails, requires that large-scale sales be accomplished in as short a period of time as possible. This necessarily results in differentiation in the prices in the markets where an industry sells its goods, and this is something which harms the national industry. For this reason, the prices at which foreign firms sell their goods in the domestic market should not serve as the basic criteria for prices. [The basic criteria] should be those prices at which goods are sold in the domestic markets which cover the total cost--rather than only part of the cost--of producing the goods."

Dr (Jazzarin) then said: "The question of protection should be linked to a nation's general objectives and strategy. In other words, do we wish to have only those industries for which the prerequisites for success exist? If this is the objective, then we only need a limited amount of protection for the industries. But if the objective is to establish industries for strategic purposes--regardless of whether or not the prerequisites for success exist, as in the case of the automobile industry, for which the prerequisites for success are considered not to exist in Egypt--involving the establishment of additional production sectors, development of large-scale economic activity, and providing employment for a new labor force, then protection would be necessary even though this would lead to penalizing the consumers since it would mean that automobile prices would be higher and the car models available would be older models."



## The Experience of the Sixties

Mr Idris then asked for an assessment of the experience involving protection for Egyptian industry during the sixties.

Dr Muhammad Hasan Yas was of the opinion that, during the sixties, Egyptian industry fell behind as a result of the additional protection which it enjoyed.

Dr (Jazzarin), however, was of the opposite opinion: "The protection of the sixties was what created our national industry. People might say that the total protection which Egyptian industry had during the sixties was what led to the backwardness of our national industry. However, the fact is that there were many problems and factors which contributed to the fact that this industry fell behind. But if there had been no protection during this period, Egypt right now would have no successful industry."

## Protection for Industry and Protection for Consumers

Mr Idris then asked about how Egyptian consumers could be protected from the side effects of the imposition of protection on national Egyptian industry.

Mr Muhammad Sadiq 'Ali, an accountant and former board member in Egypt's banking apparatus, said the following: "If protection of domestic industry involves having domestic consumers assume additional burdens and sacrifices in the form of higher prices for domestic products in comparison with the prices for imported foreign products, then these higher prices should be something which is only temporary and they should be abolished after a short time. Domestic consumers should be willing to make sacrifices for a while in order to provide an incentive to national industry. Such a sacrifice in this case should be of short duration and should only be long enough to allow a national industry to get firmly established on its own two feet. Protection is necessary when any industry is in the stage of getting started because foreign exporters sell their goods in foreign markets at prices which are less than cost price in order to enable these exporters to conquer such markets and in order that domestic products not be able to compete with them. The result of this is that national industrial plants then have to shut down. Then, when foreign producers are sure that their products are the only ones for sale in the markets, they gradually begin to raise their prices in order to compensate themselves for the low prices at which they previously sold their goods."

## Do the Prerequisites for Producing Egyptian Cars Really Exist?

A departmental head in the General Transport Authority then asked whether or not the basic prerequisites for producing cars in Egypt exist 100 percent right now.

A reply to this question was given by Dr (Jazzarin): "An automobile industry is something which results in activity in an enormous industrial sector. This

was the real reason for establishing the automobile industry in Egypt. During the sixties about 10,000 cars per year were bought by consumers. Today this figure is more than 74,000, and by 1990 this figure is expected to go up to 108,000."

Dr (Jazzarin) distinguishes between consolidation of the local automobile industry and having it engage in the total process of manufacturing cars: "Consolidation of the automobile industry does not mean that we produce 100-percent Egyptian cars, but rather the production of a car which is Egyptian-made to a reasonable degree. The objective is not to produce a car whose price would be double that of a foreign car. Car production should be based on economic principles which do not saddle Egyptian consumers with additional burdens--as has been the case with consumers in India. There an industry has been established which produces Indian cars, and the result has been that these Indian cars are of very obsolete models--about 20 years old--and the prices of these cars are about 60 percent higher than the prices of foreign cars."

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EGYPT

FOREIGN CURRENCY LAWS, DEALING IN FOREIGN CURRENCY EXAMINED

Cairo AL-AHRAM AL-IQTISADI in Arabic 12, 19 Mar 84

[Article by Ilham al-Mirghani: "We Need a Solution for the Currency Trading Problem"]

[No 791, 12 Mar 84 pp 14-17]

["Why Is There a Race to Buy Dollars?"]

[Text] On 29 February 1984 the newspapers hit us with the following headline: "The Largest Raid on the Currency Black Market Resulted in the Seizure of 25 Million Egyptian Pounds in the Offices of Four Foreign Currency Merchants." This is something which suggests that one should discuss how effective it has been to rely on utilization of the police to solve this problem.

The Egyptian economy has undergone many developments since 23 July 1952. This includes the economic open-door policy initiated by the government, and one of the changes brought about by this policy was the change in the currency law. Law Number 97 of 1976 was issued, and it replaced the 1947 currency law. This new law made it permissible to possess foreign currency, but it prohibited dealing in foreign currency except through accredited banks.

In 1980 the net total in banknotes which circulated outside the banking apparatus was 3,411,700,000 Egyptian pounds--that is, nearly 3.5 billion Egyptian pounds. Also, the total amount in foreign currencies, the procurement of which was needed to finance the deficit, was 319 million Egyptian pounds in 1980.

The circulation of such a large quantity of foreign currency in the black market, which is also called the "free market," means that the formulators of our national economic policy are being deprived of control over this available quantity of banknotes which the currency merchants in the black market are dealing in and by means of which they are earning as much as a total of 500 million Egyptian pounds of profits per year.

Combatting currency crimes is one of the means being followed to protect the Egyptian currency system. This action is being carried out by the Office for Combatting Public Money Crimes. In 1972 this office registered 1,186 cases

of currency crimes involving the seizure of a total of 470,777,115 Egyptian pounds. In 1982 there were 768 such cases, and they involved the seizure of a total of 10,640,529,874 Egyptian pounds.

Utilizing the police is one of the solutions available for dealing with this problem. But can one rely on the police arresting and charging culprits with crimes as a means of stabilizing the Egyptian currency system in view of the present currency law? Or is the role played by the police a role which is inadequate and limited, and does this consequently mean that the problem requires a more extensive means of dealing with it--including eliminating the structural deficiency which the Egyptian economy suffers from?

#### Development of Exchange Rate Policies in Egypt

A currency exchange rate means the price at which a given currency is bought and sold in exchange for other foreign currencies. On 15 May 1947 Egypt left the pound sterling area, and due to the emergence of a deficit in Egypt's balance of payments and due to the fact that the Egyptian pound had newly surfaced in international transactions, Egypt initiated a system of foreign currency control. The result was the issuance of Law Number 80 of 1947 which dealt with currency control. This law prohibited the possession of foreign currency and prohibited dealing in or disposing of foreign currency except via accredited banks. Due to the importance of the exchange rate of a nation's national currency when it comes to achieving a foreign balance [of trade], nations usually intervene and regulate [this exchange rate] because the sovereignty of a nation's national currency is one of the clearest indications of that nation's economic sovereignty. Also, lack of currency independence is one important indication of the fact that a nation lacks economic independence.

This is why Egypt, ever since it left the pound sterling area, has resorted to strict currency control. It followed this policy especially after facing the problem of a scarcity of foreign exchange, which forced it to make bilateral payment agreements in order to settle its foreign payments. There had been an increase in the volume of trade carried out via bilateral agreements. Egypt then adopted a number of means of settling its international transactions such as importing accounts, the premium system, the export pound, and the importing right-to-import pound.

Right after the Tripartite Aggression against Egypt in 1956 and the nationalization of the Suez Canal, Egypt's free currency funds in Britain were frozen, Egypt was blockaded economically, and the problem of the scarcity of foreign currency continued. This led to regulation of dealings in foreign currency via the currency budget and trade and payment agreements, most of which were oriented toward the socialist nations. Egypt also resorted to taking out a foreign loan in order to cover its foreign currency deficit.

The early sixties saw changes take place in the Egyptian economy as well as a steady increase in the balance of payments deficit. Furthermore, currency reserves were exhausted because of the necessity to pay compensation for the

Suez Canal, compensation to foreign citizens for their property [in Egypt], and compensation to the Sudanese government in connection with the construction of the High Dam. In addition to this, the first 5-year economic and social development plan was getting started, and there was an expansion in government expenditures. All of these things aggravated the problem of the scarcity of foreign currency and contributed to the decline in the value of the Egyptian pound. This caused Egypt to resort to taking out a loan from the IMF in order to deal with the deficit problem and to attempt to come up with a simplified exchange rate based on the terms set by the IMF which required the establishment of a free exchange rate.

In May of 1962 an agreement was reached with the IMF concerning a 1-year economic stabilization program, and in accordance with this agreement Egypt received a loan of \$42.5 million from the IMF. The features of the stabilization program included raising the creditor and debtor interest rate, following a deflationary credit and monetary policy based on not expanding bank credit and putting a stop to the policy of deficit financing, increasing the reserve requirement of the commercial banks, and setting a realistic exchange rate for the Egyptian pound--namely, \$2.30. The result of this was that the exchange rate of the Egyptian pound vis-a-vis the dollar went down 20 percent. Then there was the second stabilization program which began in 1964. It involved a revaluation of the gold covering the issue of banknotes on the basis of the Egyptian pound being worth \$2.20. That is, the amount of pure gold backing each Egyptian pound went down to 2.044 grams. As a result of the 1967 war and the increase in the deficit of its balance of payments, Egypt once again put into practice the policy of multiple exchange rates as of May 1968.

It was after the 1967 war that the phenomenon of the Egyptian labor force migrating to other Arab nations clearly emerged. Since the government wished to increase its foreign exchange revenues, it initiated the system of granting a 35 percent premium for remittances from Egyptians working abroad. This premium became known as the "incentive currency rate." In May of 1972 this premium was raised to 50 percent. One of the most important decisions made which constituted a change in the policy of currency control was the issuance of Decree Number 543 of 1968 regarding importing without currency conversion, allowing the opening of foreign currency accounts, and the utilization of these accounts to import foreign goods by means of paying in free currencies. This is known as the system of "importing without currency conversion."

#### Stormy Weather for the Egyptian Pound

On 28 August 1973 Ministerial Decree Number 477 concerning the establishment of a foreign currency market to be parallel to the official market (the parallel market) was issued. The objective of this market was meant to be to attract the savings of expatriate Egyptian workers and to grant an incentive premium added to the exchange rates set by the Central Bank which was 50 percent in the case of purchases and 55 percent in the case of sales. The exchange rate of the Egyptian pound had been \$2.30, but in February of

1973 the U.S. devalued the dollar by 10 percent and the exchange rate of the Egyptian pound thus went up to \$2.55. Then in 1974 the parallel market was further developed by means of more easy terms for importing without currency conversion. This opened up the doors to a tremendous flood of luxury and semi-luxury goods. This in turn gave rise to a frenzy of consumption which was engaged in by inhabitants of the cities and people having higher incomes, and the result was that Egypt lost a great deal of the foreign currencies which it had at the time. This new system was also responsible for the fact that there was a tremendous increase in demand for foreign currency and for the fact that the exchange rate of the Egyptian pound declined. Dr Ramzi Zaki, the chief expert at the National Planning Institute, had the following to say concerning the system of importing without currency conversion:

"This system led to the emergence of a large number of middlemen, foreign currency merchants, and people dealing in smuggled goods who came to serve as intermediaries between the domestic importers and the expatriate workers who had savings--and from the latter they bought foreign currencies at prices which were higher than the incentive rates set by the parallel market. This situation led to depriving the parallel market of currency resources which could have come into the market via the official channel (the national banks) if there had not been the enticing offers made by those who found the system of importing without currency conversion to be a suitable opportunity to allow them to conduct their foreign currency business in the black market.

"The development of the volume of foreign currency dealings in the parallel market as a percentage of total imports and exports was as follows:

"The volume of goods and services exported via the parallel market in 1974 totalled 28.5 percent of the total exports. By 1976 this figure went up to 44.4 percent of the total exports. The volume of imports of goods and services via the parallel market totalled about 8.3 percent of the total goods and services imported in 1974, and by 1976 this figure went up to 47 percent.

"The volume of imports without currency conversion rose from 60.1 million Egyptian pounds in 1975 to 1.1 billion Egyptian pounds in 1980.

"Then Ministerial Decree Number 15 of 1980 was issued in order to compel the private sector, which was engaging in the importing, to pay a percentage of the value of each transaction to the bank that would be opening the credit. In July of 1981 the exchange rate vis-a-vis the dollar became 84 piasters after it had been 70 piasters. Then Decree Number 15 was amended in order to have importers pay a percentage of the value of the transaction in Egyptian pounds instead of in dollars and in order that they make payments based on the official posted exchange rate (84 piasters to the dollar). This meant providing help to the importers as long as this rate was less than the black market rate--where the price of the dollar had risen to more than 100 piasters."

Some economists attribute the status of the Egyptian pound to the onslaught of the economic open-door policy which swept over Egypt at a time when its

economic infrastructure was in a state of imbalance. Concerning this matter, Dr Muhammad Hamid al-Zahhar had the following to say:

"The facts demonstrate that the application of the open-door approach in the management of the national economy worsened the imbalance in Egypt's economic structure. There was an increase in the seriousness of the imbalance between the production of (agricultural and industrial) commodities and services, between available savings and the investments required, and between the number of workers and the growing demand for them. In fact, there was an increase in the deficit in the public treasury and in the balance of payments. In addition to this, there was an increase in Egypt's foreign debt and an increase in the inflation which the Egyptian economy was suffering from. All of this contributed in a tangible way to the further decline in the exchange rate of the Egyptian pound. In order for our study of the economic open-door policy and its effect on the exchange rate of the Egyptian pound to be a sound and objective study, we should not view the matter from angles which are independent of each other or deal with the matter on the basis of the various individual problems which the Egyptian economy suffers from such as the problem of importing without currency conversion, the problem of the increase in the exchange rates of foreign currencies--especially that of the dollar in the black market--the problem of subsidizing consumer goods, and the problem of the continual increase in the general level of prices. We should view the matter from a comprehensive viewpoint and deal with it on the basis of the fundamental issue of the Egyptian economy--which is that of the structural imbalance of the economy. We have seen the effects of this imbalance in a number of economic phenomena which are interrelated and we have seen how the effects of this imbalance have been reflected in the exchange rate of the Egyptian pound.

"In spite of the implementation of the stabilization policies suggested by the IMF and in spite of the steady decrease in the exchange rate of the Egyptian pound under the pretext of subsidizing it, whenever there has been a decrease in the exchange rate of the Egyptian pound, its price in the black market has also gone down. This is something which requires that there be a reexamination of the usefulness of the programs of stabilization which Egypt has been agreeing to with the IMF. Furthermore, some people now are calling for complete freedom when it comes to determining the exchange rate of the Egyptian pound or what is called 'setting the value of the Egyptian pound.' But in light of the current circumstances of the Egyptian economy, this would mean that the Egyptian pound would be drowned and would be exposed to the winds of the elements."

#### Foreign Currency Problems in Egypt

The deficit in the Egyptian balance of trade went up from 404.3 million Egyptian pounds in 1973 to 3,101,700,000 Egyptian pounds in 1980-81. In addition to this, the deficit in the balance of payments went up from 532.7 million Egyptian pounds in 1974 to 926.2 million Egyptian pounds in 1980-81.

This deteriorating situation led to an increase in the total amount in foreign currencies, the procurement of which was needed to finance the deficit, from 3.19 billion Egyptian pounds in 1980 to 3.87 billion Egyptian pounds in 1981. This reflects the increase in the foreign currency deficit as a result of the problems which the Egyptian economy suffers from. This deficit represents the following: the current account deficit + the loan installments + the IMF payments + the change in the reserves. The increase in the size of Egypt's foreign debt, in addition to the increase in the value of Egypt's imports from \$3,257,300,000 in 1974 to \$8,730,900,000 in 1980-81-- a 268 percent increase in imports--led to an increase in demand for foreign currency. We should realize that the value of the luxury goods imported in 1970, which was 6.936 million Egyptian pounds, increased to 133.174 million Egyptian pounds by 1978. Furthermore, the volume of the means of payment increased from 4.5 billion Egyptian pounds in 1978 to 21 billion Egyptian pounds by June 1983. This represented a 466 percent increase. The percentage of the means of payment in foreign currencies amounted to 27 percent of the total means of payment, and this is something which has not happened in any developing nation in the world.

The worldwide average increase in means of payment is 8 percent annually. In other words, the volume in means of payment should not exceed 7 billion Egyptian pounds, whereas what we have is 21 billion Egyptian pounds. This is something which increases the rates of inflation. We note that more than 25 percent of the means of payment is paid in foreign currency, and this aggravates the problems of procurement of foreign currency in the Egyptian economy.

The increase in the levels of transactions in foreign currencies in Egypt during the last few years is attributable to the following causes:

1. The increase in remittances sent home by expatriate Egyptian workers. These remittances totalled 4 million Egyptian pounds in 1967, increased to 36.2 million Egyptian pounds by 1972, and then further increased all the way up to 3.196 billion Egyptian pounds by 1981. The total in incomes of expatriate Egyptian workers increased from 800 million Egyptian pounds in 1974 to 5.66 billion Egyptian pounds by 1980. At the same time, the volume of expenditures outside the country increased from 352 million Egyptian pounds in 1974 to 2.491 billion Egyptian pounds by 1981. Remittances from expatriate Egyptian workers are considered to be the primary source of foreign currency. Most of the savings of the expatriate workers are channelled into the black market in view of the difference in the price for the dollar paid by the Egyptian commercial banks (84 piasters) and the price for the dollar paid in the black market (between 110 and 120 piasters). This was true after the law began to allow the possession of foreign currency.

2. The system of importing without currency conversion. This has been the thing most responsible for dealing in and smuggling currency. This system was started under the pretext of providing production requirements and spare parts. The total in transactions via this system increased from 60.1 million Egyptian pounds in 1975 to 1.1 billion Egyptian pounds by 1980. The system



of importing without currency conversion obligates the importers to furnish the necessary currency in order to be able to complete their importing deals and transactions. Where are they supposed to get this currency if not via the black market? This system has played an important role in increasing the frenzy of consumption of imported luxury goods which we have seen taking place during the last few years.

3. The increase in the interest rates on foreign currency deposits. This is something which led to a demand for converting Egyptian pounds into foreign currencies, especially into dollars. In 1980, individuals' deposits in dollars in the commercial banks totalled 400.6 million Egyptian pounds, and individuals' deposits [in dollars] in the business and investment banks totalled 74 million Egyptian pounds. Furthermore, foreign banknotes brought in by Egyptians and handed over to the Egyptian banking apparatus totalled 117.7 million Egyptian pounds. Public sector banks have started to compete with investment banks in the area of creating savings deposit opportunities capable of attracting these dollar savings.

4. The sale of some durable goods in foreign currencies, and the giving of priority of delivery to those possessing foreign currencies.

5. The issuance of the Foreign and Arab Capital Investment and Free Zones Law Number 43 of 1974, which permitted the establishment of both foreign and jointly-owned banks and their branches. There is now a total of 54 foreign banks, and they are far from being controlled by the Central Bank. Currency merchants have begun to utilize the lobbies of these banks as places to engage in their dealings, the reason being that the premises of these banks are virtually regarded as being free zones.

6. Allowing the purchase of foreign currencies from the free zones, and this has become one of the means of smuggling currencies and goods from these free zones.

7. Allowing the public sector and government organizations to purchase imported goods with Egyptian pounds by means of inviting bids in the local currency, with the importing of the goods being financed by the private sector. This meant that the private sector had to procure foreign currency, and the result was that there was an increase in demand for foreign currency.

8. The transfer of the profits of the foreign investment companies to places abroad and the utilization by these companies of the free foreign currency market to accomplish such transfers.

9. Payment of the wages of employees in the investment firms in foreign currency, in spite of the fact that they spend these wages inside Egypt in the form of Egyptian pounds.

10. Allowing clearing transactions under the present currency law, and these transactions are nothing more than purchase and sales transactions utilizing the credit system.

11. The fact that the law allows the possession of foreign currency has enabled some people to leave the country with any amount [of foreign currency that they want to leave with] after their passports have been stamped by one of the investment banks, and it has not been possible to check such an individual's account in the bank to see if he really does business with the bank. It is not possible to do this because these banks are subject to the investment law and they are not subject to the provisions of the currency law.

These are the most important factors which have led to an increase in the dealings in foreign currencies during the last few years, and consequently there has been a race to purchase dollars and to exchange Egyptian pounds for other foreign currencies.

[No 792, 19 Mar 84 pp 18-19]

["The Gap Was the Law Concerning Dealing in Foreign Currency"]

[Text] The reasons for intervention in the regulation of dealings in a currency are attributable to the fact that currencies are important to nations both in their domestic systems which deal with production and consumption and their foreign relations since currencies represent a means of payment. A given nation's currency is something which accurately expresses the strength of its economy, and in addition to this the currency is this nation's means of obtaining the commodities which it requires from foreign markets by means of international trade. Furthermore, the value of a nation's currency, as expressed by its exchange rate, represents its purchasing power in relation to what the nation produces. Nations resort to imposing currency controls in order to provide themselves with the foreign currencies which they want to have. It is for this reason that the most extreme form of intervention in order to impose such control is to be found in the application of the penal code.

The reason why certain nations endeavor to engage in this type of intervention in currency dealings--and Egypt is included among these nations--is basically the fact that they wish to provide themselves with the necessary hard currency in order to be able to obtain what they require. Such a nation might actually succeed in providing itself with some of the things which it requires by means of following the approach of imposing currency controls--or it might not succeed if it uses this approach. The latter is usually the case. The reason is that its needs may be greater than what it can actually obtain by means of using currency controls--that is, by means of enforcing its legal provisions, which is a difficult matter--and this is why the problem does not go away. It is for this reason that it is better for a nation to resort to utilizing means to cure its economy in order to achieve the necessary equilibrium (because resorting to legal punishment in order to protect a currency policy works only for a limited period of time--the period of time necessary to firmly establish a sound economic foundation).

The objective of making it a crime to commit currency violations is to protect the economic policy which forced the legislators, who passed

legislation making currency violations a crime, to depart from the general principles contained in the penal code. The scope of the economic penal code is limited to protecting the economic policy and the economic interest of the nation.

#### The Latest Currency Law Represents Two Steps Backward

Law Number 80 of 1947 was the law which regulated dealing in foreign currency. But in spite of the law's severity in terms of the punishments prescribed for violating it, it did not succeed in enabling Egypt to become self-sufficient in foreign currencies--although there is no doubt that it did contribute toward providing Egypt with some of its necessary foreign currency. However, because of recent economic developments, Law Number 80 of 1947 was abrogated and another law was issued which took its place. This latter law is Law Number 97 of 1976 which regulates dealing in foreign currency.

The new law is more lenient than the provisions of the previous law and was meant to be in accordance with the phase of the open-door economic policy. This means that the issuance of this law represents two steps backward as far as regulation of exchange rates are concerned. One can notice the degree of this leniency if one compares the new law with the former law which was abrogated:

1. Article 1 of the new law permits the possession of foreign currency, but prohibits dealing in foreign currency except via accredited banks. It is through this loophole or gap between permission to possess foreign currency and being prohibited from dealing in it except through accredited banks that all of the currency merchants and smugglers are penetrating. Article 1 of the old law stipulated that whoever possessed foreign currency, no matter where he got it, had to hand it over to the Ministry of Finance.
2. Most of the provisions of the new law do not precisely determine what constitutes a crime and refer this matter to the appropriate minister, which in this case is the minister of economy and economic cooperation--as is mentioned in the text of Articles 3, 8, and 9 of the currency law. Furthermore, the appropriate minister is the person who possesses the power to issue the implementing regulations of this law (according to the text of Article 20).
3. The abrogated currency law was based on the principle that it was a crime not only to actually attempt to commit currency violations, but also to even conspire to commit such violations. The objective of the law was to come down hard on violators of the currency law. The law made it a crime even to merely plan to commit currency crimes and made the punishment for this just as severe as the punishment for actually attempting to commit, or committing, currency violations. But the legislators, in their creation of the latest law, turned away from this approach (according to the provisions of Article 14).

4. The previous law was applied throughout the territory of Egypt. The new law, however, exempts certain areas from the application of this law. These areas are the free zones and installations which are subject to the Foreign and Arab Capital Investment and Free Zones Law.

5. Law Number 80 of 1947 and Smuggling Law Number 98 of 1957 made the punishment more severe, in cases of recidivism, by prescribing imprisonment with payment of a fine and permitting the previous severe punishment to be added to this. The new law, however, prescribes that the more severe punishment be limited to no more than double the term of imprisonment and the amount of the fine without requiring that the offender be sentenced to both at once, as was the case in the previous law. The same is true with regard to fines. The old law called for a fine in relative terms, and the amount of the fine was double the amount being sued for. But the new currency law is more lenient, even though the minimum fine has been raised to 200 Egyptian pounds. In the new law, the maximum fine is 1,000 Egyptian pounds (according to Article 14). The judge hearing such a case is free to decide the amount of the fine up to the maximum amount. This was not true under the old law where the judge had no such discretionary power when it came to setting the amount of the fines. Also, there was no fixed maximum fine. The fine could thus be a tremendously high one since it was to be double the amount being sued for. Consequently the new law has denied the state the opportunity to collect such high fines.

6. There is also leniency in the fines prescribed in cases of recidivism when one compares the old and new situations regarding punishment for smuggling and currency crimes as far as the judge's power to impose a more severe punishment is concerned or his being permitted to increase the fine to an amount five times the amount set in cases of first offenses, according to the old law, under which the more severe punishment was to be a minimum of 1,000 Egyptian pounds, and the maximum was to be five times double the amount sued for, with no set maximum.

The new law, however, is more lenient. Article 14 calls for doubling the fine in cases of recidivism. And since the fine is a fixed one rather than a relative one, it is a minimum of 400 Egyptian pounds and a maximum of 2,000 Egyptian pounds.

7. The abrogated law called for currency crimes to be punishable by imprisonment of at least 1 month and no more than 5 years. The minimum punishment for smuggling was 6 months imprisonment and the maximum was 5 years imprisonment. The legislators of the old law departed from the general rule as far as punishment by means of imprisonment was concerned. The general rule was 3 years imprisonment, according to Article 18 of the penal code. This was so because of the particular nature of these crimes and the fact that they affected the country's economic system and the interests of society as a whole. The new law, however, has lowered the minimum imprisonment for smuggling to less than 6 months, and no general maximum punishment has been set. This means that the new law follows the maximum which has been set in the penal code--that is, 3 years. The result is that there has been a decrease in both the minimum and maximum punishments for smuggling and currency crimes.

8. Article 14 of the new law stipulates that it is not permitted to pursue criminal case proceedings except on the basis of a request by the appropriate minister (that is, the minister of economy and economic cooperation). For this reason, cases involving currency crimes usually conclude with an amicable settlement being made with the minister of economy.

These are the most important features present in the new currency law. At this point we would like to deal with the question of how significant the law for regulating dealing in foreign currency is. Some people are asking how the legislative committee could have ratified the draft law submitted to it without reviewing it. If one consults the text of the draft law, the explanatory note dealing with it, and the discussion held by the legislative committee as recorded in the minutes of the People's Assembly (68th session, first legislative quarter, the role of the public economy), one clearly sees how the draft law got through the People's Assembly. The People's Assembly was asked to ratify the draft law during the same session when the draft law was submitted to it. This happened because the draft law was expeditiously reviewed--and this was something which had already been agreed upon during a previous session of the People's Assembly. Thus the People's Assembly was obligated to either ratify or not to ratify the draft law as a whole during the same session when it was submitted to the People's Assembly. This can be shown by the text of the relevant section of the minutes, which reads as follows:

"Speaker of the Assembly: 'We have already been able to expeditiously review this draft law, and thus we can render our final opinion concerning this entire draft law during this session. Those who are definitely in favor of this entire draft law, please signify this by raising your hand..... The draft law passes!!!'" (page 18 of the minutes)

This is how this law, with all of its gaps, defects, and shortcomings, was passed. It represents a very important shortcoming in the Egyptian currency system and represents several steps backward along the road of exercising control over the currency's exchange rate--which is one of the criteria of our national sovereignty over our Egyptian economy.

#### The Egyptian Economy Is Supporting the U.S. Dollar in Violation of the Law

Dr Mustafa al-Sa'id has the following to say about this: "The problem of the dollar is the greatest problem in the Egyptian economy as far as our nation and mass of people are concerned. The reason for this is that the decade of the seventies was a time when there was an expansion in the scope of engaging in dollar transactions. The U.S. dollar became the currency accepted in transactions and came to exercise the functions of a standard currency.

"The dollar came to have five different rates, which are the following:

1. The accounting dollar. This is the dollar utilized for dealing with the socialist nations or the nations with which [special] agreements have been concluded, and its price is 42 piasters.

2. The dollar in the Central Bank apparatus. Its price is 70 piasters, but only when importing supply goods.
3. The dollar in the commercial bank apparatus. Its price is as high as 84 piasters.
4. The dollar in the black (free) market. Its price ranges between 115 and 120 piasters.
5. The dollar which is sold from individuals' accounts in banks. Its price ranges between 108 and 110 piasters."

In spite of the fact that transactions with dollars are much more extensive in volume than are transactions utilizing the other foreign currencies, Dr Ahmad Zaki al-Shiti still considers this to be in violation of the law. He said: "The abrogation of Law Number 80 of 1947 and Smuggling Law Number 98 of 1957, in favor of the new Law Number 97 of 1976, was effected in order to deal with the freedom to deal in foreign currencies as merchandise to be bought and sold, and there is no conflict between the letter of the law and the prohibition of stipulations for making payments in foreign currencies."

"According to a decree issued on 2 August 1914, payments made inside Egypt are supposed to be made in the official currency of the country. As for international transactions, Law Number 45 of 1935 was issued, and it clearly says that the gold stipulation for both domestic and international transactions is not valid."

On the strength of the above, Law Number 97 of 1976 does not supersede the decree issued in 1914 or the Law of 1935. This means that an agreement to have payments made in gold or in foreign currencies is an agreement which is totally invalid. So this means that all transactions which are done in dollars are invalid transactions according to a law which so far has not been superseded by any other law. Why have some people overlooked the Decree of 1914 and the Law of 1935? This is the problem. There has emerged a new economic phenomenon which Dr 'Amru Muhyi-al-Din calls the "dollarization of the Egyptian economy." By this he means that the dollar has become part of the available money supply and has replaced the Egyptian pound in many instances. He went on to say the following: "What this means is that we are paying to the U.S., the nation whose currency is the dollar, a tax for every dollar that we utilize. Is there any economy in the world which permits a person to discharge his financial obligations in a currency other than the local national currency? Egypt is the only country in the world inside whose borders all purchase and sales contracts and transactions are not carried out in the national currency. The fact is that increasing the volume of transactions in dollars in the domestic market means that the Egyptian economy is paying a hidden tax to the economy of the U.S.--the nation whose currency is the dollar. This is something which is called storage--a given percentage received by the government when paper money is printed. As long as we do transactions in dollars, we are paying this percentage to the U.S., and in return for this we are losing the percentage which our government would be receiving in exchange for its local currency."

ELON MOREH TO BE SETTLED

Jerusalem THE JERUSALEM POST in English 6 Apr 84 p 2

[Article by Joshua Brilliant]

[Text]

The World Zionist Organization yesterday completed moving some 30 buildings to a hill southeast of Nablus for a Jewish settlement, that will help complete the encirclement of the major Arab city.

The projected settlement, Tel Hayim, is situated near the site which had originally served Eilon Moreh, some five kilometres southeast of Nablus. The original Gush Emunim settlers were ordered off the area in 1979 by the High Court of Justice, which upheld Arab claims to the land. In the meantime, however, private Jewish entrepreneurs have reportedly bought land in the near vicinity.

A well-placed source told *The Jerusalem Post* he expected the sale of the lands where Eilon Moreh had actually been to be approved soon as well.

Tel Haim will be the 13th settlement within a 10-kilometre radius of Nablus. Its first inhabitants are scheduled to move in before Independence Day.

The WZO source said it will thus leave only one area around Nablus not settled by Jews. There are no Jewish settlements northeast of the city except for Irit, which is more than 10 kilometres from Nablus.

The decision to settle at the old site of Eilon Moreh was taken by the Ministerial Settlement Committee some two months ago, the source added.

CSO: 4400/227

EROSION OF ISRAELI COASTLINE

Jerusalem THE JERUSALEM POST in English 6 Apr 84 p 3

[Article by Charles Hoffman]

[Text]

A double-barrelled threat to Israel's coastline over the next several decades is outlined in a report to the Energy Ministry by a team of ministry and university scientists.

The report, initiated by the ministry's Earth Sciences Administration, says that the receding of the Nile Delta in Egypt will over the years reduce the flow of sand from the Delta to the Israeli coastline. With the coast not continuously reinforced with sand from the Delta, it, too, will begin to be eaten away by the sea and recede, the report says.

The receding of the Delta is a result of the building of the Aswan High Dam in 1964. This prevented silt from the Nile from reaching the Delta and replenishing the areas constantly eroded by the sea.

If the Egyptians prevent further erosion of the Delta, thus reducing the sand flow to Israel, the report concluded, this would increase the damage to the Israeli coastline in the short run. Signs of erosion along Israel's coast have already appeared in several places due to the changes in the composition of the waters of the Nile.

The report was also submitted to the Electric Corporation and government planning authorities, so that the possible erosion of the coastline in the future will be taken into account when building power plants, ports and other coastal facilities.

Another danger noted was a possible rise in the level of the sea by five to seven metres over the next several decades, as a result of the melting of icebergs and the polar icecaps.

CSO: 4400/227



WEST BANK, NEGEV SETTLEMENTS APPROVED

Jerusalem THE JERUSALEM POST in English 11 Apr 84 p 1

[Text]

Four new settlements in the West Bank and two more in the Negev were approved yesterday by the Ministerial Settlement Committee following a decision by Finance Minister Yigal Cohen-Orgad to release a large part of the settlement budget at the beginning of the financial year on April 1.

The West Bank settlements will be Irit in northeast Samaria; Jaba, a neighbourhood northeast of Jerusalem; and Omarim Bet and Khirbet Zanoah in the southern Hebron area.

In the Negev, the settlements will be Bir Malage, north of Ketziot; and Mitzpe Izzuz, at the site of Be'erotayim.

Two settlements in Galilee, Ashkar and Moreshet, are to be expanded.

The committee's decision was apparently prompted by the government's desire to establish as many facts on the ground as possible before the elections. Initial reluctance from the Treasury to release more of the planned budget early in the year was reportedly overcome after Mattityahu Drobles, chairman of the World Zionist Organization, Settlement Department, lobbied Prime Minister Yitzhak Shamir several times over the past few weeks, according to government sources.

CSO: 4400/227

ARABIC LANGUAGE JOURNAL REVIEWS FARM PROBLEMS IN JORDAN VALLEY

Jerusalem AL-BAYADIR AL-SIYASI in Arabic No 93, 17 Mar 84 pp 33-40

[Article: "The Agricultural Situation in the Al-Aghwar: A Tragedy and a Catastrophe Looking for a Solution"]

[Text] Land is the basic element which must be made available if people are to be allowed to survive and maintain their existence. People's attachment and adherence to their land is the means for guaranteeing that threats and challenges are deterred. The land is the base from which the people set forth in order to build civilization, forge progress and participate in human civilization. People who lose their land lose the most important element of their survival, and one can explain people's adherence to their land and their doggedness in defending it and using all ways and means to thwart invasions of oppression and liquidation by that. The survival of any people on their own land causes the schemes of vindictive persons to fail and prevents them from carrying through their plans for changing the features of the land. Here, the occupying powers seek recourse in setting out programs aimed at driving the inhabitants out and keeping the land empty, so that the takeover and exploitation of the land and the settlement of new inhabitants on the ruins of the true original ones may be eased.

Land and people are interlinked. Each complements the other and any neglect of the ingredients for the survival of either will cause this interlinkage to lose its basic nature, urgency and meaning. The more man is attached to his land the more he feels the importance of this land, adheres to its soil, and defends its domain. Here is where the need to exploit the land lies. The more it is exploited and the more it yields and produces, the stronger and more intense is the attachment, especially if there is a hostile body which is earnestly striving to break up and destroy this attachment in order to realize its ambitions and carry out its objectives, foremost among them driving the people out and taking over the land. Many are the experiences of history which confirm that the investment and exploitation of land are the sharpest weapon by which one can cut off the hands that reach out to this land and the solidarity between the land and the people, between the land and its owners. History confirms that strengthening the factors for survival on the land is the basic means for deterring the invasions of dispersion and the changing of features. All the peoples of the world realize this truth,

especially the Palestinian people, who are being exposed to the most stubborn and vicious of invasions by forces which are without parallel in the ancient or modern era in terms of ambition and the love of dominance, and consequently these people's stand has become an example which has been etched on the pages of history, for the peoples of the world to emulate.

Palestinian territory is the target, the appropriation of it constitutes the most important pillar of Israeli policy, and Israeli schemes to realize this objective have not stopped. Attacks are constantly escalating and the Palestinian masses have ventured forth with all the means they possess to thwart these schemes. They are still in the arena of confrontation, in spite of the arms Israel possesses, whose severity and effect have been increased by the state of inadequacy the Arab countries are going through and their failure yet to come up with ways for supporting the Palestinian citizens, without paying attention to the cries issuing forth from Palestinian territory demanding that the Arab brothers seek to protect them. The means are numerous and available.

Why Aren't Arab Markets Opened to Palestinian Products?

Palestinian citizens on the West Bank and the Gaza Strip have ventured forth, consolidating their adherence to the land, and have continued to exploit every grain of land that has been given and granted to them, and their attachment to it has deepened. They realize with the rest of their brothers in the diaspora that they face the challenges alone and that they must continue the course, the course of adherence to the land and the preservation of it. Farming and using the land is one of the most important elements which must be made available to strengthen citizens' perseverance and protect the nation's soil. The sons of the Palestinian people are making reality of this fact in confronting the escalating, intensified encroachment of settlements. They are writing continuous pages of glory which history is recording with bright characters. Young men are planting, old people are taking part, children are picking the fruit smiling among the green leaves, and women are carrying on their heads what the good earth has yielded up. Everyone is in a race with time, and the successive invasions must fail and collapse with the blows of the ax, the sounds of the plow and the wheels of the tractor, and the laughter of the children playing in the midst of the verdure. That is the truth, no matter how much many people might try to conceal its features. This is the truth in spite of the Arab silence over what is happening on this land and in spite of the "eagle" which alights on the citizens on the bank and in the strip through the conflict among centers of influence and disputes over platforms among parties, as if our people were fated to pay the price for Arab fragmentation and fighting. Is this support for the natives' perseverance? Is it by closing markets off to Palestinian crops that this perseverance will be strengthened? The settler invasion is continuing, and the markets of the countries of the world, even the Arab countries, are open to the crops the world produces, while the Arab markets are closed to Palestinian crops, especially from the "sensitive" al-Aghwar area. What is the purpose and what is the goal then? Why this position? It is a long story which we are relating to everyone through AL-BAYADIR AL-SIYASI, the story of the farmers of the al-Aghwar, the people with black faces and young brown arms, with drops of sweat falling from their bodies, while the land becomes more fertile and the greenery ripens.

It is an urgent problem which needs a solution, a problem which we are putting before all the Arabs. Perhaps and maybe, the Arabs' continued position of observer regarding the problem of the land and the people means one thing, that they want the solidarity between the two, the land and the people, to be sundered. The attachment and solidarity will not be interrupted, but where is the role of the Arabs? Where is the concern for the people? Hear what the farmers of the al-Aghwar are suffering from. Hear the story of the Palestinian farmers who are caught between the hammer of settlement and the anvil of Arab indifference, though the Palestinian people can free themselves from this hammer and anvil; they are able to create all the circumstances which will help them continue their perseverance and deepen this perseverance.

The al-Aghwar area is one of the most important areas of Palestine. It is the most coveted, since it enjoys strategic advantages from numerous aspects and angles. The al-Aghwar is considered to be a basic part of the economic and geographic support of the West Bank and an important strategic location for other areas. Because it is one of the main pillars of farming, due to the factors which are available in the al-Aghwar, such as farmland and water sources, it without a doubt heads the list of tasks and programs Israel is trying to carry out. As long as we agree that the plan whose instalments have been carried out against our people rely on the imposition of harrassments and the pursuit and exercise of practices which will compel its individuals to emigrate, which is one of Israel's most important goals, the exploitation of the al-Aghwar, the support of its farmers and the increase of its crops will be a valid way to thwart the aggressor's plans. The protection of the al-Aghwar increases the attachment of the farmer to his land and the citizen to his nation. In the face of the scarcity of farmland, especially irrigated farmland, the lands in the al-Aghwar have become of paramount importance, as they constitute the backbone of the agricultural sector in the occupied nation. The al-Ghur is depended on to contribute effectively and thoroughly to the resistance to the steps aimed at banishment, and it contains about:

Ten percent of the total farmland on the West Bank.

Fifty percent of the total irrigated land on the West Bank.

Fifty percent of the water resources available on the West Bank.

The total irrigated land on the West Bank comes to about 80,000 donums, half of which are in the al-Aghwar area. Of the total area farmed with vegetables on the West Bank, which comes to about 48,000 donums, 50 percent is in the al-Aghwar; of 26,000 donums farmed with citrus, 15 percent is in the al-Aghwar. The al-Aghwar produces 32 percent of the tomatoes, 38 percent of the cucumbers, 72 percent of the eggplant, 50 percent of the zucchini and 63 percent of pepper output. This is from the agricultural standpoint.

From the geographical standpoint, the al-Ghur area is to be considered the frontier of the West Bank and the area of contact between the East and West Banks. These advantages have prompted the Israeli authorities to concentrate their activities in the al-Aghwar because they realize how important this

area is and how negative the effects on our people will be if they succeed in their programs. Here, Israel has hastened to concentrate a large number of settlements on the al-Aghwar, has given settlers land and has offered them every facility to achieve two purposes, and to kill two birds and more with one stone, on the one hand changing the features of the land, on the second hand plundering the land from the citizens, and on the third hand obtaining agricultural products which will help lessen the burden on its economic situation. Before all else, by these means, it seeks to put pressure on the farmers to get rid of the land and emigrate abroad or to the Israeli labor market. Thus the harrassment of Arab farmers has not let up. Indeed, it has escalated; recently Israel required all farmers holding Jerusalem identity cards to visit the military rule command in Bethel, by means of which, apparently, it wants to paralyze the agricultural movement in the al-Aghwar for good, when we realize that the majority who were working the land in the al-Aghwar have been residents of Jerusalem or elsewhere and not inhabitants of Jericho, whose population shrunk from 110,000 to just 10,000 in 1967.

Palestinian farmers have established their presence in the al-Aghwar, have worked the land well, have produced, and have succeeded in mastering every modern scientific method of working the land, to the point where their efforts have exceeded all imagining and they are now competing with the Israeli farmers, who are receiving every facility and form of support from their government. In spite of all the forms of harrassment, harsh treatment and boycotts, the farmers in the al-Aghwar lived insecurely for a long time then, through all their efforts, strengthened the society which speaks for them and formed a new administration for the society. Methods were changed and the resurgence began. Everything was exploited properly and in sound fashion for the sake of the farmers, and the agricultural society proceeded to include in its ranks all the farmers along a line 73 kilometers long and from a meter to 12 kilometers wide, from Jericho to al-'Ayn al-Bayda', that is, all the areas of the al-Aghwar. Landowners and farmers are members on an equal footing and the number of members in the society now is 1,400, whereas previously it contained just 300 members. The 1,400 farmers support 1,400 families and more through the exploitation of the al-Aghwar land that is the target, and their firm stand in the context of these circumstances is realizing a number of positive results, as well as the reduction of cares and adherence to the land. The most important of these results is the effort to thwart the scheme of taking over their land and driving them away. The credit for that undoubtedly goes to the farmers and their love of their land, in addition to the competence of the supervising body, the administrative body which the society department represents; that supervises the farming of 31,000 donums, consisting of bananas, citrus, tomatoes, egg plant and other vegetables, by the farmers.

Before we go into details on the sufferings of the Palestinian farmers, in particular those who are staying close to their land in the al-Aghwar, we might make a review in abbreviated form of the agricultural society, the organization which leads the process of supervising the farmers. This society was established in 1958, and a new administrative body took it over in 1981. The great difference in production became apparent. Crop volumes increased and agricultural methods were used. In addition, modern irrigation

systems and water use methods were made available. The society administration is the organizational framework linking the farmers and the departments. The farms now have value, whereas they had been damaged in the past. In 1958 the group of large landowners supervised the society, and its sole concern was to open commercial markets for this group's production only. In 1970, a modest revival occurred, but no progressive steps were taken. In 1977, the revival began to ferment, until the society received a competent administrative body and an active agricultural agency. The society's activity shifted from Jericho to other areas, the people's adherence to the land grew, many people ventured to exploit their land whereas it had previously been neglected, and in the society now there are three engineers, headed by the agricultural engineer 'Ali al-Dawudi. This agency is not adequate for such a large sector of farmers and such an extensive area of land, and additional areas can be exploited in the future. Here the extent of the effort these three provide and carry out is apparent.

The administrative body of the crop marketing society which supervises this agency and follows up on the farmers' issues consists of seven members, under the chairmanship of Ahmad Hashim al-Zughayr, with Karim Khalaf, Rashid 'Urayqat, Eng Salim 'Ajjalin, Zuhdi al-Hashwah, Khalid al-Nujum and a member of the society of agricultural engineers as members.

There is no doubt that anyone following the development of the agricultural sector in the al-Aghwar will reach an obvious conclusion, which is that it is the capable agency, embodied in the administrative body and three engineers, that is encouraging production, supporting activity and building relations in a good manner and in a form which serves the farmers and the agricultural sector, whose support consequently leads to the support of the members of our people and the strengthening of their perseverance on their land. It is enough in this regard for us to point out that the municipality of Jerusalem has more than 7,600 employees, while there are three or four supervising the administration of the agricultural sector in the al-Aghwar, which brings together 1,400 farmers under its banner. In any event, should the truth be told, the society is careful, solicitous, and industrious, works carefully and skillfully, and is without a doubt the unknown soldier.

The most important thing the society does is market crops, and the pioneering role which it retains is to oversee non-Arab production. No vehicle leaves the al-Aghwar without carrying 100 percent Arab production. This is a great step which the administrative board is performing for the society, since it prevents any alien products from leaking out onto the Arab markets.

The al-Aghwar is an important area, with strategic benefits, and proceeding from this premise the agricultural authorities are concentrating on transforming the al-Aghwar into a buffer zone separating the East from the West Bank and tightening the noose around the Arab farmers by numerous means, which are increasing every day, with the goal of facilitating opportunities for the execution of settlement policies, swallowing up further land and intensifying fortified settlements the length of the region, which is more than 70 kilometers in length with a total area of 400,000 donums. The success of the settlement there depends on the extent of control of the

farmland in the al-Aghwar. The Israeli authorities have so far appropriated more than 55,000 donums of farmland in the al-Aghwar, and they are working to raise that, so by the end of this year it will come to 72,000 donums. The authorities by the end of 1982 managed to settle about 3,000 settlers in the al-Aghwar settlements and they are working energetically to raise this number by the end of 1990 to 8,000. As we have said, the inhabitants of Jericho now do not exceed 10,000. This expanded settlement and increased number of settlements is without a doubt occurring at the expense of Palestinian territory and Palestinian farmers, who must be backed and supported so that the schemes we can clearly see will fail. These farmers are in the most urgent need of aid, and they have proved their competence and ability and have made reality of the sincerity of their affiliation with and attachment to the land.

The population of the al-Aghwar now does not exceed 30,000 citizens who are totally dependent on agriculture. Here the authorities are continuing to tighten the noose around farmers through the measures they are adopting so that it will be feasible for them to carry out their settlement programs. How can these programs be realized, as long as the farmers continue their work, in contentment, and receive aid and support? They can carry out the schemes they are planning if the farmers succumb to problems and they are deprived of means of support. Here is where the responsibility of the Arab party, which we will proceed to describe subsequently, stands out.

The greatest element of failure in Israel's schemes is embodied in the degree of the ability of the farmers and inhabitants to continue to exist and live in the area and consequently sustain the economic progress which depends basically and totally on the exploitation of the 40,000 donums which is the remaining agricultural area in the valley region.

Over past years, the Arab farmers have continued to make unremitting efforts to keep up agricultural activity. Here the farmers have realized obvious achievements in this regard. However, the last 3 years have experienced a decline in conditions, and the reason for that is the faltering of the production process in its final stages, specifically in the marketing process. This decline has reached a point where it is now doubtful that the farmers will have the ability to continue farming operations. In addition to Israeli pressures, practices and schemes, there has been an increasing rise in the cost of production. The decline reached its most intense point in the current season, 1983-84, although the Palestinian farmers established their presence from the standpoint of production and their method of exploiting the land in an unprecedented manner.

If last year's prices are considered a criterion, farming in the al-Aghwar in the current season, 1983-84, is supposed to realize total sales of 19,150,000 dinars including 10.5 million dinars in vegetables, that is, a ratio of close to 50 percent, while the costs paid in advance relative to vegetables come to 2.6 million dinars. That is, the revenues realized from vegetables are supposed to reach 7.9 million dinars, considering the marketing of the production. In accordance with the scheduling of ordinary sales, the value from sales is supposed to be obtained as follows, by category:

[Untitled table]

Category	Type	Area, in Do- nums	Rate of Produc- tion, per Donum	Total Over- all Produc- tion, in Tons	Price per Ton, in Dinars	Total A- mount, in Dinars
Vegetables	Eggplant	5,000	5 tons	25,000	80	2,000,000
	Tomatoes	10,000	5 tons	50,000	100	5,000,000
	Others (zuc- chini, cu- cumbers, string beans, flow- ers, pepper)	6,000	1,500	9,000	150	1,250,000
Citrus		4,300	3 tons	12,900	80	103,200
Bananas		4,200	4 tons	16,800	220	3,696,000
Watermelons		-5,000 [sic] 6,000	4 tons	20,000	50	1,000,000
Others	Grain crops (Wheat, barley)	5,000	50 kilo- grams	750,000	80	
Total		40,000				

First, eggplant: eggplant is marketed in two batches. The first is from 15 December to 31 January, and in this period half the production, that is, at a value of 2.25 million dinars, is supposed to be marketed. However, the serious, amazing point is that none of these amounts has have been marketed, however minor. Anyone going about in the al-Aghwar will notice piled up heaps of this product all along the road and on the land. Consequently, this crop has not realized any material revenue, and production has been abandoned to go to waste on the land. As regards the second batch, which starts on 15 February and continues for a month as economic production, in the course of that the remaining half of production, that is, valued at 2.25 million dinars, is supposed to be marketed. In spite of the paucity of information that has been received, indicators show that the price per ton on the local market comes to 10 dinars, while in the Central Market in Amman it comes to close to 30 dinars, that is, a rate of 20 dinars per ton [sic]. Therefore, the value of the expected sales is around 300,000 dinars, that is, just 7 percent of anticipated income. In summary, the farmers will lose a total of \$4.15 million this season.



Second, tomatoes: normally tomatoes are marketed in the local market, starting on 15 January, and it is normally permitted to bring them into the East Bank on 7 March. However, this year an exception was made to that arrangement because of the perverse climatic circumstances, since it was permitted to bring in eggplant from 15 December to 30 April. One should bear in mind that the marketing of the tomato crop occurs in accordance with the following scheduling:

Ten percent of the crop is marketed in January.

Fifty percent of the crop is marketed in the period from 1 February to 15 March.

Forty percent of the crop is marketed in the period from 15 March to 30 April.

On the basis of last season's prices, this crop is supposed to realize a sum of 5 million dinars, which is to be obtained as follows:

500,000 dinars in the month of December.

2.5 million dinars in the period from 1 February to 15 March.

Two million dinars in the period 15 March-30 April.

However, one can spell out what was obtained in the current year as follows:

Ten percent of the crop was marketed in the month of January, at a rate of 20 dinars per ton, with a total value of 100,000 dinars, that is, 20 percent of the expected price.

Twenty-five percent of the crop was marketed in the period from 1 February to 20 February, at a rate of 10 dinars per ton and a total price of 125,000 dinars, that is, 10 percent of the expected price. More accurately and clearly, up to 20 February 1984 the farmers had lost a total of 1.65 million dinars. Expectations on the remaining period are still unknown and obscure, but if the marketing situation continues as it is, a genuine catastrophe will befall farmers, if it has not already occurred.

These are just examples of what the farmers of the al-Aghwar are suffering from and the state their conditions have reached. These are depressed conditions which reflect extremely serious negative effects on the al-Aghwar and the farmers, on the land and the people. Where, however, does the problem lie: What are the causes? How can it be remedied? The problems of the farmers of the al-Aghwar are many and numerous, domestically, and there are complications abroad.

AL-BAYADIR AL-SIYASI made a tour of the al-Aghwar and observed the farmers living on the land in actual conditions -- farmers who have avidly defended it and turned it into a green carpet, the children of the farmers among the vegetables and underneath the trees, taking part in the work, women carrying the production on their heads, gathering it along with the young people and

the old. Smiles have started to fade from the faces of everyone in the al-Aghwar. What is the unknown destiny? One cannot do without or alienate oneself from the land. The injustice of the brethren and the practices of the adversary are all on the farmers' minds. What is to be done? The problem is not one of eggplants and tomatoes so much as it is a cause which embodies a people, embodies land, and has its significance, which is serious. It is in the power of our brothers to put a stop to these sufferings. Why are they silent? Why isn't the people's support translated into reality? AL-BAYADIR AL-SIYASI has observed the Palestinian farmer challenging all conditions, the settlements and the constant encroachment, and has observed the difference between the support the settlers receive for their farming and the sufferings of the Palestinian farmers. These Palestinian farmers are defiant, and only centimeters separate them from the settlers' farming, or let us say there is no distance between them.

AL-BAYADIR AL-SIYASI, first of all, will cite the internal problems. These include harrassment by the authorities, which takes numerous forms and is escalating.

The Israeli authorities prohibit any farmer from building a home for himself within his farmland, his land or his farm, and here he and his children are subject to difficult climatic and atmospheric conditions. We have seen how children of no more than 2 years of age sleep alongside tomato bushes, while their families are busily picking and working.

Farmers are prohibited from staying beyond 1600 hours on their land, on the argument that the area is subject to security considerations, while the settlers live there day and night. Therefore, many hours and much time goes to waste and is unused. Under these circumstances the Palestinian farmer works very busily.

Farmers from Tubas and Tamun are prohibited from being in the region, severe penalties are imposed on them and harsh measures are taken against them. When we realize that the majority of the workers in the agricultural area in the al-Aghwar are from these two areas, we will undoubtedly realize the dimensions of the Israeli measures against these people who have realized important achievements through their youthful arms. One should point out that they constitute 90 percent of the farmers in the area.

The Israeli authorities have imposed measures by which they determine the areas and categories farmed, which are subject to the caprice and the objectives of the authorities.

Farmers are prohibited from living less than 4 kilometers from their farms.

The volumes of water consumed and the granting of permits to drill irrigation wells are determined. The volumes of water are limited and consequently the farmers have learned through sound supervision how to exploit every drop of water.

Israeli competition for Arab products.

The closing of Israeli markets to Arab products, while Arab markets are open to Israeli products.

#### Existing Wells and the Great Discrepancy

Before 1967, there were 96 wells. After 1967, the authorities permitted the drilling of just five wells. Therefore there is a total of 101 wells. However, of that number only 15 wells are working and there is no money for renovation.

The capacity of productive Arab wells in the al-Aghwar comes to 9,932,000 cubic meters per year.

The Arab wells have been drilled to an average depth of 70 meters. There are advantages to depth; as the depth increases, the salinity which damages the crops is gradually eliminated, at which point it is possible to save a part of the water used. The degree of salinity in the Arab wells comes to 2.3 to 3.5 millimos.

The Israeli settlements in the al-Aghwar have 17 wells which the Israeli water company Mokorot has drilled; their productive capacity comes to 14,144,000 cubic meters. They have been drilled to a depth of 300 to 400 meters; therefore, the water in these wells is distinguished by freshness and the level of salinity in them does not exceed 0.09 millimos. Here the great difference between the two parties' wells is obvious, and the sufferings of the Palestinian farmers are more obvious.

These are some of the problems from which the Palestinian farmers in the al-Aghwar suffer. This is just a small part of the problems which the only farmers who deal with the land suffer from. The cause of these problems is the policy Israel is pursuing against the Palestinians and their land, and we are not surprised by this; in spite of its severity, the Palestinian farmers are standing firm and trying to reduce them with all the power and determination they possess. Through their society and thanks to the people supervising it they have indeed managed to reduce some of them. They have used modern farm equipment and have learned how to use the water allotted to them. The society is currently striving to provide primary materials in the form of fertilizer, plastic and so forth at appropriate prices for the Palestinian farmer. In any event, these problems have been imposed by a party whose actions against the important agricultural sector and other sectors should not surprise us. In fact, the farmers have succeeded in achieving great successes. They have produced splendid crops in great volumes which have exceeded every expectation and the Israeli authorities themselves have been amazed at these. The Israeli farmers, who receive complete support and aid, have been astounded at them. However we may try to present the problems of the Palestinian farmer and the boycotting and harassment the al-Aghwar area is exposed to, we will continue to be incapable of conveying the description in full and the sufferings in their details. We will continue to assert that we are not surprised at these problems, and that we know how to confront them. Rather, the frightening, sad and surprising thing is what the Palestinian farmers are subjected to in areas other than this, and the most important of these without a doubt is the paucity of support and the closing

of the Arab markets to Palestinian agricultural products at a time when the al-Aghwar is the target and the settlement process there is active.

Here we will try to review problems Palestinian farmers are exposed to which are the doing of their Arab brothers. We will present these problems so that Arab efforts may perhaps be unified at least to support the farmers. The farmers want nothing except to have the Arab markets open to Palestinian products, which are more deserving than the international products inundating these markets. We state this with the utmost pain and bitterness. We state this, having seen in actual conditions how urgently the settlement process is encroaching, how the farmers are living and suffering, and how the products are thrown about in the middle of the road. We state this while asserting that the agricultural issues and the provision of solutions to them do not need procrastination but rather the setting out of urgent plans, on condition that they be carried out at once. Solving the problem of the Palestinian farmers is not a difficult one or one that needs a magic solution; it is within reach and extremely easy. Our Arab brothers are being asked to support the Arab farmers, the only ones who are working the land.

What if the hands of the farmers are tied in every direction and from every side? At that point the tragedy will be destructive. Shall the land be abandoned? Shall it be taken over? Why this Arab silence? The more content the farmer is, the more his attachment to the land, which is dear to the Palestinians and the Palestinian farmer, will grow.

The first pressing problem now is the continued closure of the Arab markets to Arab products; that is the urgent problem now. Hundreds of families have become exhausted for the sake of these products; why aren't they being marketed? Why are they thrown on the ground? Why this "belittlement" of the splendid, intense Palestinian efforts? Why are exports restricted by temporary permits? We are presenting a thousand whys. We bitterly chastise our brothers. Aren't the sufferings the Palestinian farmers receive at the hands of non-Arabs enough for them? Imagine, everyone, that 5,000 donums were planted with eggplant and tomatoes, their production came to 30,000 tons, and their revenue was supposed to be 2.4 million dinars, but the problem of marketing brought that down to just 20,000 dinars!

The farmers work a great deal and cry out little. This is their habit, but now everything has gone beyond its limits. From Jericho to 'Ayn al-Bayda' and al-Bardalah, all the northern, southern and central al-Aghwar are going through bitter and painful times and the farmers wonder why this Arab position, against Palestinian efforts and products; why these dealings with a bright face.

The farmers, their families and their children start work at zero. They produce as thoroughly as they can, the crop cycle ends, they come up against the closed markets and they throw their crop on the ground so that the livestock will eat it and it will go to waste. No Palestinian farmer has recovered costs.

A farmer told AL-BAYADIR AL-SIYASI that he had not recover any of the per-donum costs for eggplant, which cost 161 dinars, and he did not sell any of his production.

The problem has ramifications. The farmers now are in debt to the sellers of fertilizer and in debt to the sellers of insecticides. What is to be done now? The problem began at the time of marketing. We here domestically cannot do anything. Israel applies pressure and prevents our products from entering the Israeli markets; the Arabs close their markets off to our products. If some people try to propose "why isn't processing done, agricultural processing?" we tell them, we can do nothing in the absence of national authorities, and that is not in our hands.

An agricultural engineer told AL-BAYADIR AL-SIYASI that \$4 to \$5 million would be enough to buy all the production on the West Bank. A single country, a single Arab country, could buy that and throw it into the sea as food for marine life, if it paid 5 piasters per ton; if we assume that there are 20,000 donums, with a production of 5 tons per donum, 100,000 tons times 5 piasters would be \$4 to \$5 million. We know that there are countries which buy the products of other countries and throw them into the sea as subsidization for them.

A farmer says, "Shall we quit working on the land and go to work in the Israeli shops and factories?"

Farming the land this year cost the farmer Ghazi Abu Hantash 190,000 dinars, and he says that his losses will come to 100,000 dinars. Similarly, Radi Muhammad Muhawish Muhammad Yahya Sa'id last year had sales of 15,000 dinars and this year, though the products are good, he lost 5,000 dinars.

Abu 'Atif, a farmer, says that he farmed 45 donums with eggplant, and each donum cost him 140 dinars, but he did not sell anything. Production this year is better but the price is nothing and the markets are closed.

'Ali al-Damin, Jawad al-Misri and Bassam Daraghimah say "This is the worst season the al-Aghwar has witnessed and the Arab brothers must bear their responsibilities. Our condition does not encourage the continuation of farming, as long as our brothers are closing their markets to us."

Ahmad Hashim al-Zughayr, chairman of the society, is doing everything in his power, out of his concern for the state of the farmers and protection of the land. He asserted to AL-BAYADIR AL-SIYASI that means of support for farmers which would support their attachment to the land are needed, and added that he had spared no effort to achieve this. [He said] "If the situation is not rectified and if the Arab countries do not hasten to support the Palestinian farmers, a sad fate will face the farmers and their families. A dark fate will face the land. We are afraid that the al-Ghur will become empty of farmers, and this will be a good opportunity for Israel to continue its settlement scheme. We say this most frankly: why this waste in the midst of the Arab political struggle? Why are the Palestinian farmers paying the price for this struggle? Why aren't Arab efforts to save the farmers and keep the Arabhood of the land united? Let the Arabs become united, if only once, for support for the Palestinian farmers who water the land which is the target [of Israeli designs] with the drops of sweat that fall from their foreheads.

This is the story of the farmers of the al-Aghwar [and their relationship] with adversaries and brothers, the story of the fighting men and heroes, which we are conveying over the pages of the magazine of the Palestinian masses, the magazine AL-BAYADIR AL-SIYASI. Our whole hope is that it will receive a response and that it will proceed to be solved. How easy that is. Greetings of affection and appreciation to all our farmers who are attached to the land; greetings to the protectors of the land.

11887

CS0: 4404/424

EXPERT CAUTIOUSLY OPTIMISTIC ON LEBANESE ECONOMY

London AL-TADAMUN in Arabic No 49, 17 Mar 84 p 62

[Interview with Dr Samir Muqaddasi, member of the official public financial coordination agency, by Ibrahim 'Awadah]

[Text] Dr Samir Muqaddasi, director of the American University of Beirut's Institute of Economic Studies and member of the official public financial coordination agency, stated that reports circulating about the Lebanese economy's reaching the point of collapse are unjustified because certain factors making for economic survival are still operative.

Dr Muqaddasi believed that the deficit in the balance of payments has not yet reached the red line in view of the fact that the greater part of this deficit is not unmanageable because it is still possible to postpone covering it.

Dr Muqaddasi called for the drawing up of a long-term public debt policy and the programming of this debt, with the proviso that this action be accompanied by the drawing up of a national economic policy centered on the mobilization of national savings to support the public sector's financial position.

This transpired in AL-TADAMUN's interview with Dr Muqaddasi on the subject of the true status of Lebanon's public economy at the present time in the light of frequent statements that the economy is not viable and that it has reached the point of collapse.

In reply to a question about the true nature and degree of seriousness of the difficulties that the Lebanese economy faces, Dr Muqaddasi said: "There is no doubt that the Lebanese economy faces very great difficulties, whether on the level of the economic and financial sectors or on the level of labor. They are difficulties that have proliferated recently because the security and economic situation is taking the course that has created these difficulties.

"As for what people say regarding the Lebanese economy's reaching the point of collapse, I think that the word, namely 'collapse,' is not justified, at least not at the present time. I believe that certain of the factors for survival are still in place.

"What has happened is that the ability of the private sector to accommodate itself to security and political events has suffered a hard blow, but I doubt that this ability is exhausted. It is still there, and in recent years Lebanon has been able to maintain certain level of financial performance despite the very great pressures that it faces at the present time. I am convinced that the financial policy followed during the last few years was consonant with the situation that the country was facing. This policy helped noticeably to ease the pressure of the demands of the public debt, the payment of most of which can be frozen or postponed for long terms as long as the state can keep issuing debentures and as long as there are people who are willing to own these instruments. Here we must point out that the objective of the public debt policy is to extend the terms of this debt by offering various bonds, so that the state can give itself more scope to permit it to settle public debt problems. This is a matter that calls upon us to stress the necessity of coming up with a long-range public debt policy."

In response to a question regarding the position of the Lebanese pound in the light of its continued decline vis-a-vis foreign currencies, and particularly the American dollar, Dr Muqaddasi said: "When we tackle the subject of the pound the first point that we stress is that Lebanon always has followed and still follows the floating-rate policy. When we say that, we mean that the rate of the pound is determined by basic market factors of supply and demand, along with intervention by the Central Bank to limit fluctuations to the extent possible without such intervention's upsetting the basic givens in the market. From this point of departure the fluctuation in the rate of the pound is not to be considered as unusual and should not be something to cause wonder."

"Concerning the reasons for the marked fall in the rate of exchange of the pound, as happened already in January 1984, when in 1 week the pound lost about 6 percent of its value vis-a-vis the dollar, it is attributable to the increased market pressures on the pound. One of these pressures was the appearance of a deficit in the balance of payments, which usually had been registering surpluses and not a deficit. Another pressure was represented by the large conversions from national to foreign currencies as a result of continued market pressures. Add to that the steady rise in the rate of the American currency with respect to most of the Arab currencies. It then becomes apparent to us that this worrisome fall of the pound relative to the dollar is not strange. As soon as the causes of the pressure on the Lebanese market are removed the pound will doubtlessly regain its strength, and it is hoped that an improvement in the security situation will be followed by a general economic improvement and a relaxation of the balance-of-payments situation. These are all matters which operate in support of the Lebanese pound."

"In this connection we also hope that the Arab and other friendly states that have expressed their readiness to help Lebanon by extending foreign loans to it will fulfill their commitments at an early date in order to enable Lebanon to hold out economically."

In reply to a question regarding the role that the Lebanese state ought to play in the present circumstances to support the national economy, Dr Muqaddasi said: "The state can play an effective and basic role in this field by



mobilizing national savings for medium- and long-term use in an operation to support the financial position of the public sector and to begin the work of reconstruction when security conditions permit it.

"Coordination between financial and monetary policies insures agreement in the objectives for the sought-after mobilization of savings. In the matter of the state's role in supporting the producing sectors at this stage, I believe that such support can be carried out within the existing capabilities of the state, keeping in mind the necessity of devoting attention to helping the sectors that have suffered the most damage, but it should be done on the basis of data that have been carefully studied."

In answer to a question about the instruments for carrying out the policy of financial mobilization, Dr Muqaddasi said: "This policy would be implemented through the following instrumentalities:

- The issuance of treasury bills
- The issuance of public debt debentures to the public
- The issuance of reconstruction bonds
- The development of debenture instruments."

Dr Muqaddasi concluded by emphasizing that there still is an opportunity to salvage the Lebanese economy in view of the continued presence of factors making for its survival. Consequently, he said, there is no reason for pessimism because an early expansion of the sphere of security could rehabilitate the general economic situation, particularly if the world has not yet found a replacement for Lebanon as a financial and economic center in the region.

12541

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CENTRAL BANK SAID TO HAVE TACKLED BANKING LIQUIDITY CRISIS

Paris AL-MUSTAQBAL in Arabic No 372, 7 Apr 84 p 47

[Article: "Liquidity Crisis in Lebanese Banks Is New Experience Under Canopy of War"]

[Text] When the latest incidents erupted on 6 February 1984, people rushed to the banks to withdraw money from them in anticipation of a long war that may last several months and may result in the permanent closure of banks. Banking circles have estimated the withdrawn sums at nearly 400 million pounds, which is a relatively large sum that could make the markets thirst for liquidity. What made matters worse was the transfer from dollars to pounds which followed abolition of the 17 May accord on 6 March 1984. The demand for Lebanese pounds has risen whereas this currency had been previously kept at the citizens' homes. There is a fundamental factor which has further complicated the crisis, namely the failure of most borrowers to repay the loans due in the period between last August and February either in anticipation of momentous events or because of the economic stagnation which did not enable the merchants and industrialists to repay the sums they owe. The sums due to be repaid were estimated at 3-4 billion pounds. But the crisis did not last long. At the end of February, the citizens returned the money they had withdrawn and the crisis receded to reasonable limits. To deal with the situation, some banks pumped money into other banks and this led to higher interest rates between the banks, with these rates often rising to 13 percent. The banks also raised the interest rate paid for deposits, each bank according to its needs and with this rate reaching 10-12.5 percent. The banking market seemed as if it were living in chaos, especially since the slogan operative at the time was: "Each bank has to pull out its own thorns."

According to the banking circles, the Central Bank has faced the liquidity crisis with extraordinary flexibility. It supported the banking apparatus with liquidity, thus greatly improving the situation. It also made matters a lot easier, lifting some restrictions and some regulations concerning liquidity and expanding the scope of convertible bonds to enable the banks to get as much reinforcement as possible. The liquidity crisis was reflected in the subscription to the treasury bonds. By the beginning of February, the banks' subscription did not exceed 300 million pounds whereas the subscription desired amounted to nearly 1.5 billion pounds, meaning that there was a deficit of about 1.2 billion pounds. It is well known that bonds are one of the treasury's main resources. By the end of February, when liquidity became available, the banks resumed subscribing to the bonds.

Dr Hisham al-Bisat, the director of the Arab Bank, Ltd., has described the Central Bank's handling of the crisis as flexible and complex. The Central Bank's concerns were not confined to just providing liquidity to the banks but also included "maintaining" the dollar exchange price, which reached a record figure last month, and preventing a sudden drop in the dollar's price because such a drop inflicts losses on both banks and clients with dollar accounts. Moreover, the Central Bank's task also included meeting the Bank's foreign currency needs because the foreign currency reserves dropped sharply last year primarily as a result of the defense requirements.

Dr al-Bisat has further said that insofar as the Central Bank is concerned, the issue was not just the issue of liquidity and that the Bank's main concern was focused on the position of the Lebanese pound which had been affected to a large degree by the Mount Lebanon events, by the demolition of the headquarters of the Marines and of the French force on 6 October 1983 and by the recent events of 6 February 1984 which still impacts on the situation. All this caused the price of the dollar to rise from 460 piasters [per dollar] before the Mount Lebanon war to 610 piasters last February. After the president of the republic's visit to the Syrian capital and the success of the visit in abolishing the 17 May accord, the price of the dollar dropped from 610 piasters to 580, then 560 and then 540 piasters within a period of 3 days. The dollar price would have then dropped to the 530-piaster level had not the Central Bank intervened, purchasing dollars at a price ranging from 540 to 545 piasters. Within 2 days, the Bank's purchases amounted to 200 million dollars. This is the same sum which the Central Bank pumped into the market at the outset of the recent events to bolster the pound [which had declined] because of the complications in Lausanne when the dollar price rose anew, thus compelling the Central Bank to intervene and to pump a sum of \$30 million into the markets to bolster the pound. When it was said that the conferees in Lausanne had agreed on everything, the dollar price declined again and the Central Bank purchased another sum of dollars to allow the drop to be smooth, not sharp.

These acute fluctuations were confronted by the Central Bank, according to Dr al-Bisat, with ceaseless daily efforts and with decisions made at the right time in the light of the abovementioned objectives. The question was not one of trading in dollars, as some people have tried to depict it by saying that the Central Bank has made a profit of nearly 100 million pounds as a result of its intervention.

In the wake of the resolutions of the Lausanne conference, it is no longer possible to speculate accurately whether the Lebanese pound will regain its previous strength or will continue its downward journey. The resolutions are meager in comparison with what had been hoped for. But if they are implemented and if the clashes cease, the observers expect an improvement in the price of the pound versus the dollar. In case the constituent assembly, which will be entrusted with amending the constitution, is formed, then any progress, regardless of how slight, will have an impact on the pound because it will reflect positively on the efforts of the assembly members. This will

be the case, regardless of the other factors that influence the price of the dollar or of the lira locally, regionally or internationally, according to the director of the Arab Bank. These factors include the impressive position of the balance of payments which can be predicted for 1984. Many expect the balance of payments to experience in 1984 a large deficit to be added to the 1983 deficit, said to have amounted to \$1.2 billion.

Several opinions assert that the Central Bank has waged a unique experiment this time. Under the most difficult circumstances, the Bank has been able to lead the banking apparatus out of a crisis similar to the 1976 crisis, keeping in mind that the banking apparatus has not stopped offering its full services during the clashes, as it did during the Israeli invasion in 1982.

Insofar as speculation is concerned, the opinions are unanimous that speculation is a normal phenomenon in a country swinging between the maximum possibilities of war and minimum possibilities of peace. If what has happened in Lebanon were to happen in any European country, the speculation activity would be more intense and dramatic and the country would witness the escape of capital in large sums, as has happened in France in the past 2 years, keeping in mind that France enjoys stability and peace.

8494

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KHOMENISM: 'TRANSFORMATION OF ORIENTAL MESSIANISM'

Paris LE MONDE in French 16 Apr 84 p 5

[Article by Marc-Jacques Yared]

[Text] Legislative elections, to be held on Sunday 15 April, will result in a new Majlis (Parliament). It goes without saying that they will have no influence at all on the nature of the regime or on its options. However, should we speak of an Islamic Republic or of a Khomeynism that is linked with the life and death of its founder? In the stream of Near Eastern messianisms, will the imam have merely created a short-lived entity, as Nasser once did?

"Hysterics," "masochists," "fanatics"--in the West there is no lack of words to apply to the Iranian and Lebanese "madmen of God" who--with a talisman at their necks and a black band around their foreheads--race toward certain death, over Iraqi minefields or at the wheel of trucks crammed full of explosives.

Such fearsome behavior, far from reflecting the lunatic fringe state of mind, tends to spread: thousands of kamikaze candidates are being trained in Iran, hundreds more in the Lebanese Bekaa. They commune with the same fervor with hundreds of thousands of Khomeynists who are fighting, surrounding, studying, working and demonstrating. Enthusiastic followers are being recruited in the neighboring countries (Iraq, Kuwait, etc.) and even in the Maghreb (Tunisia in particular).

This wave, which could "break" any time, bears striking similarities to other celebrated movements that have made their marks on modern history\*: the Sudanese Mahdism (1881-1898), the epic of the Somali Mad Mullah (1899-1920) and, above all, Nasserism (1956-1970). We remember the hundreds of thousands of

\*The more limited ventures of the Alaouite "god" Soleiman El-Mourched in Syria (1919-1921), of Ayataolah Kachani in Iran (in the early 1950s) and of Imam Moussa Sadr in Lebanon (1974-1978) may also be mentioned.

angry demonstrators hurling the name of Nasser in most of the Arab capitals; the Syrian-Egyptian union; the Nasserist outbursts in Lebanon, in Iraq, in Jordan, in Yemen, etc., the suicides after the death of the rai [ray] was announced, etc.

Khomeyni, Nasser and many others before them in fact represent, in the collective unconscious of the Near East, various facets of a single personage: the politicoreligious "messiah" for whom the populations have been fervently waiting.

Because of an understandable transference phenomenon, the peasant populations of the ancient East, who deified the forces of nature and sources of life--in particular the water of the great rivers, the Nile, the Euphrates, the Tigris--, had regarded as sacred the central authority that held the power to regulate the flood waters.

The destruction or abandonment of irrigation systems, the subjection, impoverishment and insecurity resulting from the great invasions (notably the Seljuks, the Mongols and the Mamelukes) made of that messiah a fundamental institution, linked to the necessity of spreading peace, well-being and justice, which were continually being challenged by successive upheavals. Crystallizing the popular energies which have been roughly snatched from a long lethargy, the messiah will not hesitate to oppose, with weapons an oppressive and corrupt foreign power.

The collective unconscious of the Eastern nations is still, in our day, marked by the dual impact of a national government regarded as sacred and the subversive messiah, who is among other things the origin of the confusion in the people's minds between the spiritual and the temporal. Shi'ism in particular--but not only Shi'ism--gives an important place to that providential man, sent by God, the Mahdi\*, who "will restore Islam on the religious and political planes, will fill with justice the land that was invaded by iniquity and will ensure the future of the golden age."

To be acknowledged by the crowds, the Eastern leader most often needs to have an aura of religious prestige. For Mohamed Ahmed ibn Abdallah the story began in 1881, after he was proclaimed Mahdi by his Sudanese partisans. Mohamed Abdallah Hassan, the Mad Mullah who inflamed the Somalian masses, first ruled as a caliph of the Salahiyyeh brotherhood, over hundreds of dervishes. Nasser alone was to succeed in overcoming his "secular" handicap; many of his admirers saw in him the political restorer of Arab Islam, placing him right after the Prophet in the hierarchy of Muslim heroes. As for Khomeyni, his titles of ayatollah and imam confer on him an exceptional aura, especially in Shi'ite circles.

In the early stages, the anxious and frustrated masses are especially sensitive to the future messiah's message. They hope he will pull them out of their misery and they listen with interest to his diatribes against imperialism (speeches by Nasser and Khomeyni).

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\*Mahdi means guided (by God).

## Nasser's "Successor"

But the messiah is not really acknowledged as one until he accomplishes a "miracle", a formidable exploit of the kind that strikes the imagination and is responsive to the aspirations of the great majority.

It is the Sudanese Mahdi taking possession of Khartoum and in 1883 crushing the armies of His Gracious Majesty, whose power appears to be at its zenith. It is also the Mad Mullah, whose dervishes crush, one after the other, with makeshift weaponry, the Ethiopian forces, the British troops and the Italian army, all of which were overequipped. Nasser's enthronement dates from Suez (1956): nationalization, a challenge launched at the British and French former colonizers, the withdrawal of Paris, London, Tel Aviv after brief hostilities, stirred up, in a few weeks, the Arab world from the Gulf to the Atlantic.

In Iran, it was the collapse of the imperial army at Khomeyni's call that consecrated the advent of the imam. The slaps in the face of the all-powerful America (the taking of the hostages in Tehran and the failed raid by the U.S. Air Force) galvanized the crowds.

It was precisely that type of victorious challenge to the Supergreats that Qadhdhafi, the unfortunate and unyielding candidate to succeed Nasser in the Arab world, missed most.

Victory and consecration by the masses transfigure the Eastern leader. Thanks to a wise rationing of calculated "retreats" and "providential" appearances, leaving the petty work to his subordinates, he is surrounded by a halo of mystery that forces admiration and respect. He imposes on himself a strict life-style (Nasser) if not an ascetic one (the Mad Mullah, Khomeyni). He is not known to have any weaknesses. As the holder of the "Truth", he often refers to an ideal of universal order that approaches the metaphysical: Good, Justice, Freedom, etc.

Gradually, the guide embodies more than just the mission with which he has been invested. His cult, which inspires fanatical devotion, prevails over the final objective. Thus the Nasserian masses, which enthroned the rai as the restorer of Arab-Islamic unity, unanimously applauded his attitude of "withdrawal into Egypt" after 1963. Faith and fervor pushed to frenzy overrode conviction.

Yielding to the influence of the messianic culture that has for centuries been spreading in the surrounding milieu, the masses confer extraordinary gifts on the master: visionary powers, infallibility, invincibility, etc. This is why, after the disaster of the six-day war (June 1967), the Nasserian journal AL HOURRIYA did not hesitate to headline in enormous letters: "No--Nasser did not Make a Mistake!"

Khomeyni succeeded Nasser as the messiah of the Islamic Middle East, after an interlude of 10 years. It seems probable that the cult and the pan-Islamic audience of the Iranian guide would not survive him for long. Any more than Nasserism was able to perpetuate itself after the death of the Egyptian president.

But for as long as the imam is alive, his "charismatic potential," his power of "subversion" in the countries of the Machrek and even those of the Maghreb, seem all the more considerable because his religious functions confer on him a priori even more assets than the rai. That Khomeyni is a Shi'ite constitutes no major handicap, except perhaps for a while in the few countries where the Sunnite-Shi'ite cleavages are still pronounced. After all, Nasserian propaganda ended up by affecting the Arab Shi'ites (and even the Iranians, if we refer to the 1963 demonstrations in Tehran), despite Nasser's Sunnite origins.

The national obstacle is more significant, though it is surmountable. A victory for Khomeynist Iran in the Gulf war could set fire to the whole of the Arab East. Provided it is not accompanied by annexation of Iraqi territories, or by war damage that would actually "punish" all the Iraqis. The vague distrust that remains in the Near East with regard to Persian expansionism would be rekindled by initiatives so contrary to pan-Islamic principles.

8946

CSO: 4619/39



LEADER GIVES VIEWS TO JANG

Karachi JANG in Urdu 12 Mar 84 p 3

[Letter from Mr Amanullah Khan, Chairman, Kashmir Liberation Front, to JANG correspondent Irshad Ahmad Haqqani]

[Text] The text of Mr Amanullah Khan's letter is given herewith for consideration:

London, 23 Jan 84

Dear Mr Irshad Ahmad Haqqani:

May peace be with you. I hope you are well. Your thought-provoking articles based on serious, comprehensive and extremely profound imagination form a major part of my reading material. I pray that your strong writing ability may become still more powerful. I am sending you a short report of the activities of our organization together with a copy of my book, "Nazariya Khud Mukhtar Kashmir" (Ideology of Autonomous and Independent Kashmir). I shall be glad if you can find time to read first the report and then the book. The very title of the book is likely to enrage a great majority of my Pakistani brethren and incite in them an aggressive attitude. But it is the duty of serious-minded journalists and intellectuals to start writing on such important issues. This subject is important because it is fast becoming an element of political faith with the youth in both parts of the state. In addition, whether we admit it or not, the annexation of the entire state into Pakistan has become an impossibility. Pakistani authorities, due to their folly, share the same responsibility for such a situation as the Indian imperialists. It may not be easy for the people of Pakistan to accept this bitter fact, but in rebuttal Pakistan has no evidence or proof other than to seek one of the following two alternatives. First, in order to continue asserting its right of ownership over Azad Kashmir, Pakistan will likewise have to recognize India's right of ownership over occupied Kashmir, or in other words hand over occupied Kashmir together with its population of over 7 million including 5 million Muslims to India's eternal domination. Second, support the freedom movement for the state as a whole. To do this, it will have to forgo any right of ownership over Azad Kashmir. This gesture will help free two-thirds of the state from Indian domination. We believe that the Kashmir issue will only be finally solved when the state attains complete independence. It may be stated here that an

independent Kashmir, formed in particular with the support of the people of Pakistan, or at least without their opposition, will be quite different from one formed as a result of confrontation with Pakistan, and it would be in the interest of Pakistan, whereas an independent Kashmir formed as a result of confrontation with Pakistan will be against its interests. I belong to the generation of Kashmiri people who, after attaining adulthood and spending a number of years under Indian domination in Indian-occupied Kashmir, came over to Pakistan. Even today I have close and deep links with Srinagar, Pakistan and Azad Kashmir. I regularly read the newspapers of both sides. In contrast, the younger generation in Azad Kashmir, unaware of the repressive activities of the Indians, have no personal experience of Indian acts of brutality, so that the slightest excess on the part of Pakistan becomes unbearable to them. If a person who has no idea of what hell is like and only an imaginary vision of heaven is pushed into purgatory, then to such a person purgatory appears to be worse than hell. When the educated youth in Azad Kashmir see that elections were held seven times in occupied Kashmir and in the last elections the Indian prime minister was badly defeated by the people of Kashmir, whereas over the past 36 years elections were held only three times in Azad Kashmir and on all three occasions just because of minor differences with the Pakistani rulers, as in the case of K. H. Khursheed and his Pakistan subordinate, the elected presidents of Azad Kashmir were removed from their posts in Muzaffaabad much before the expiration of their term of office, and the way the powerful popular demands of the Kashmiri people for the restoration of democracy have been continuously disregarded, then they cannot be blamed for a lack of warmth towards Pakistan. Thus, the answer to question No 19 in my book is not acceptable to the young generation, especially now that instead of referring to UN resolutions on Kashmir, the stress is on resolving the Kashmir issue according to the Treaty of Simla. It may be said here that according to the Simla Treaty the right of solving the Kashmir issue rests not with the people of Kashmir but with its masters, India and Pakistan. Pakistan's foreign minister, speaking recently at the U.N. General Assembly, did not even refer to the U.N. resolutions on Kashmir. I was present there myself and I even have the text of his speech. Under such circumstances, members of the young generation like me find it much difficult to differentiate between India and Pakistan. I am always reminded of the late Hussein Shaheed Suhrawardy every time efforts are made to resolve the Kashmir issue. On one occasion, when a West Pakistani leader visited the late Suhrawardy in Karachi to inquire about his health, Sheikh Mujibur Rahman was also with him--in fact, he was busy massaging him.

During the course of the conversation, Suhrawardy told the West Pakistani leader that the biggest service he was rendering Pakistan was that he was keeping that young man (pointing at Sheikh Mujib) under strict control. He said that if he were to die soon and if the people of Pakistan kept on rejecting and disregarding his [i.e., Sheikh Mujib's] legal demands, describing those demands as hostile to Pakistan, then perhaps Pakistan would not be able to retain its present form. (Later this man [Mujib] was elected undisputed leader of East Pakistan, he won the majority of votes in the whole country, but people who constituting 56 percent of the entire population were deprived of their legal rights and the consequences were more dreadful and frightening than the ones predicted by late Suhrawardy.) In other words, the country created in

the name of Islam had to face the worst defeat in Islamic history. Suhrawardy was referring only to separation. God forbid that a similar fate befalls Kashmir.

Autonomous Kashmir will prove to be more of an asset to Pakistan politically, militarily and economically, as well as politically, than in its present form. However, as a serious Pakistani journalist it is your duty to draw the attention of the people of Pakistan to this subject. It is not necessary that you agree with our way of thinking. If you differ with our views, we will seriously consider the arguments and evidence put forward by you. Please do not forget to send a copy of whatever you write on the subject to me at my personal address given on page 6 of my book, because not all of your articles are published in the London issue of JANG. With my best regard.

(Signed) Amanullah Khan

Exactly as predicted by Mr Amanullah Khan himself, many people in Pakistan will not agree with the views expressed by him. All the same, it is necessary for us to be aware of his ideas and way of thinking.

9315

CSO: 4656/113

IDEOLOGY COUNCIL'S ANTIPLANNING DIRECTIVE CRITICIZED

Lahore VIEWPOINT in English 5 Apr 84 p 5

[Editorial: "Population Planning"]

[Text] THE Federal Planning Minister's address at the 'Ten-year World Population Plan of Action' seminar in Peshawar offers some encouraging signs that at least the essential requisites of a sensible approach to population control have begun to be realised. When Dr. Mahbubul Haq says that "the emphasis is not on the restriction of life but on its improvement" and that "our approach is to create an environment and an infrastructure in which people can exercise their own voluntary choices in accordance with their faith and belief, but in an educated and informed framework," he is only re-stating the basic principles underlying successful experiments in population planning anywhere in the world. It is also correct to assume that the various programmes drawn up for the Sixth Plan in health, education and social welfare sectors could strengthen the drive to reduce the rate of population growth. If the target of raising family literacy level from 14 to 47 per cent is achieved, the number of people amenable to suggestions for improvement in the quality of life will obviously increase by a corresponding margin, and motiva-

tional efforts will start yielding more wholesome results. Similar should be the effect if promises to grant the womenfolk their right to social and economic independence and equality and to electrify 85 per cent of the villages by the end of the Plan period are fully implemented. Even more important should be the impact of an adequately expanded health cover, particularly a decline in the infant mortality rate and an appreciable improvement in children's health.

All these programmes are vitally needed to raise the quality of life and generate mass awareness of the problems caused by an uncontrolled increase in numbers, without which an environment conducive to population planning cannot be created. The affirmation of these principles clearly implies a correct criticism of the approach so far maintained. Throughout the three decades that family planning has been preached from forums known for glamour rather than informed commitment to the cause, the futility of teaching self-discipline to a population afflicted with the twin curse of illiteracy and poverty has been apparent to all except for those credited with the authorship of

these plans. The relation between a people's educational level and the success of population control programmes has always been evident and has been further confirmed in recent years by the happy results obtained in regions like Sri Lanka and Kerala. Likewise, it has been known that it is impossible to convince a poor peasant of the blessings of family planning until he is assured of a fair reward for his labour, sufficient to relieve him of the need for more hands to supplement his meagre earnings, and is given a firm hope that the babies born in his mud house will live to a mature age. Obviously, population planning measures must form part of the broader endeavour to raise the quality of life which will depend not only on rapid economic growth but also a more equitable distribution of the fruits of development. However, it is difficult to believe that the Sixth Plan targets referred to by the Minister will be realised. The impression that the financial and physical targets of the under-review Plan are far too ambitious than is permitted by resource constraints has not been removed. Nor is it any secret that when shortfalls occur the worst affected are the projects in the social uplift sector.

Meanwhile, a critical review of the methods hitherto used to promote population control is overdue. A persistent disregard for the mental and material deficiencies of the populace has made the population planners oblivious of the unsuitability to Pakistan of the clinical methods evolved elsewhere for more receptive communities. No effort is known to have been made to present family planning as a function of democratic community organisations, especially in

the rural areas, although by now Pakistan has gained considerable experience to realise that even the noblest missions managed exclusively through the bureaucratic channel do not achieve the desired results. This is one of the first problems that the proposed coordination council should be expected to deal with. That the council will have autonomy and a handsome grant is as it should be. However, its function must not be confined to coordinating the working of non-official organisations that happen to be in existence but must include a well-directed drive to create a pyramid of public organisations with the widest possible base in the rural areas.

Happily the need for a proper evaluation of the population control activities seems to have been realised. The sooner the proposed national institute of population studies is created and induced to carry out independent assessment of population planning programmes the more meaningful the new look programme will become. No review of the population policies followed hitherto will be complete without a critical examination of the religious factor. The common man's ignorance of the essence of Islam and his continued subservience to obscurantists and purveyors of superstition have been the biggest hurdles to effective population planning. Unfortunately, the process of Pakistani Muslims' liberation from the crippling hold of the orthodoxy, begun by Iqbal, has not only been halted but also reversed. The words of wisdom with which Dr. Mahbubul Haq or any other champion of population planning may lace his speech will go waste if public prejudice against it continues to be strengthened by religious

edicts like the one issued by the Council of Islamic Ideology, declaring the use of contraceptives as un-Islamic. True, the Council functionaries quickly withdrew the handout issued to the Press but great damage has already been done. And not merely by lack of discretion in communicating its opinions. Far more distressing is the confirmation of the unfortunate fact that the Council shows no sign of a capacity to undertake a rational interpretation of religion so as to enable the faithful to deal with the social realities of the day. There is danger that in the present situation the Council will go on handing down verdicts which will obstruct rather than ease the community's

transition towards a modern interpretation of Islam. It will, perhaps, not be enough to free it from the constraints imposed by the present regime's conservative view of the faith. The crux of the problem is whether any body of experts who owe their position to the State's preferences could be allowed to deprive the people of their right to 'ijtehad' which is nothing if not democratic. However, pending a resolution of this important issue on the wider plane, life for population planners and public health authorities could be made a lot easier if the CII was persuaded to keep itself away from matters it did not fully comprehend.

CSO: 4600/525

PAKISTAN

EXPLANATIONS ON AIRSPACE VIOLATIONS SEEN AS UNSATISFACTORY

Lahore VIEWPOINT in English 5 Apr 84 p 15

[Text] EVERY TIME there is a violation by the Afghan Air Force of Pakistan's air space, different versions of the incident emanate from official sources. In the Parachinar case, officials could not give the correct figures of the casualties for full three days. Asked about the lack of information, an official at the Foreign Office told a questioner that it was due to the region being remote and inaccessible, while the same evening the PTV showed a film report of the damage.

Kabul's Denial

In the Angur Adda incident, newsmen could not be flown to the spot and Kabul denied the bombing.

Similarly different versions have appeared about the Afghan pilot crash-landing near Smugli (Quetta) airport. The PTV said that the pilot had run out of fuel as the plane on crash-landing did not catch fire and its fuel tank was found to be empty.

This part of information was deleted from later stories which said the pilot had defected because: (1) He was carrying on his person a copy of Surah Yasin which "reliable sources" said was "sufficient proof of his love for Islam". (2) The other being dollars and other foreign currency in his pockets.

Sources said that Second Lieutenant Mohammad Hashim would not have carried non-Afghan currency if he had any plans to return to Afghanistan. And that the MiG-17 crashed because of bad weather.

Kabul said that Hashim was on a training flight and lost his way while flying over Spinboldak (near the border) due to bad weather. Kabul broadcast the news 48 hours after the accident.

CSO: 4200/525

# RESEARCHER COMPLAINS OF SUPPRESSION, LACK OF FREEDOM

Lahore VIEWPOINT in English 12 Apr 84 p 4

[Letter to VIEWPOINT from Dr Ziaul Haque, former associate professor, Islamic Research Institute, Islamabad]

[Text] IN THE civilised world, universities and research institutes are made by minds and not by walls, furniture and carpets. Universities like Oxford, Cambridge and Harvard are known the world over because an independent pursuit of knowledge is possible there. Modern scholarship requires the scientific method in which scholars discover new knowledge on the laws which govern this Universe, nature, society and history. Conclusions reached by a scholar are not final. Through criticism and mutual discussion knowledge grows and the search for truth progresses. One may disagree with another's conclusions, but as modern scholarship demands, scholars must be given freedom to express their views, they must be allowed to publish their books.

The Islamic Research Institute was an independent institution of international repute. It has been merged in the new Islamic University against the will of the serving scholars. It is now being throttled to death. Real scholars have been silenced and pseudo-scholars and sycophants have been promoted. The entire Institute is at the mercy of the Islamic University and has been turned into a publicity department of the Government. It is time the President instituted a high-level committee to investigate the deteriorating affairs of both the University and the Institute. The University harbours the proteges of a certain religio-political party and has no vision or imagination of a modern seat of learning research. I had completed my research project in 1980 but vested interests refused to publish it for reasons best known to them. Perhaps, it was an independent piece of work. I am going to complete another book by the end of June this year, but the authorities have again threatened not to publish this one also.

It seems that the forces of darkness and obscurantism have succeeded in arresting the processes of scientific research in the humanities and natural sciences. And without science, no industry, no society, no modern culture and no civilisation can survive. If freedom is denied to scholars why keep the universities open? Before it is too late, I appeal to the conscience of the Pakistani scholars and scientists that they should shed their lethargy and callousness and save the universities and research institutes from



annihilation. The day is fast approaching when all dissenting and independent thinkers will be driven out of this unfortunate land. The hypocrisy of the ruling elites that they are serious on promoting science, research and scholarship should now be exposed. The universities are being turned into graveyards. Those who have independent minds are being dubbed communists and 'kafirs' (non-believers).

CSO: 4200/525

# FORMER MINISTER'S REMARKS FAVORING NONPARTY ELECTIONS CRITICIZED

Lahore VIEWPOINT in English 12 Apr 84 p 8

[Article in the "Between the Lines" column: "More Confusion"]

[Text] ADDING to the pall of confusion that hangs over, almost smothering, the election issue, another retired official expert has spoken in words that betray his odd experiences in relation to Pakistan's brief but weird electoral history.

Unsurprisingly, Rao Farman Ali, ex-General and former Minister, believes that elections should be held on a non-party basis, because in a party-based election even lamp-posts can get elected. What the country needs, he feels, are not lamp-posts, but personalities, men (and presumably women) of stature. He does not stop to tell us how the election of lamp-posts would be avoided when individuals are selected or elected on no basis except that of personal influence or tribal connections, and with no commitment to any principle, no party discipline to check their later conduct. This is not all. Rao Sahib goes on to declaim that free elections should be regarded as anathema, because unrestricted polls had led to the break up of many countries. When and where? He should offer some statistics in support of his thesis. How many countries broke up after free elections and how many without free elections? And in how many were elections over-ridden by authoritarian coups?

## Contribution to Disaster

What the ex-General probably had in mind was East Pakistan, where he served for some time during a very crucial period. He expressed the strange view that if non-party elections had been held in 1970 East Pakistan would not have seceded. This, of course, is sheer nonsense. He should know that not elections but lack of respect for the popular verdict resulted in the country's break-up. And this was expedited by Yahya Khan's attempt to seek a military solution to a political problem, and then fail dismally in this effort. Rao Sahib was part of the regime's think-tank, and should know what factors guided his Government from one blunder to another, leading ultimately to the tragic catastrophe.

Later, he was a member of the Election Cell set up after the imposition of Martial Law in 1977, but he has not yet given any sensible explanation for his

Cell devoting itself to avoiding rather than carrying out its allotted task. It is obviously not enough to say that the transfer of power from a martial law regime to a democratic civilian administration is difficult. It may be difficult, but it can be done. In the past it has been done. Then, the Rao seems to be nostalgic still about his running of the series of by-elections in the last months of East Pakistan, when he was busy distributing seats among his favourite political parties as if they were 'laddoos' or hot-cross buns. The final result of that effort was seen by the whole wide world. He should now accept the elementary lesson that where the people do not accept a system, it just cannot work. After his long experience of dabbling in politics, it is well that Rao Farman Ali has decided to devote himself entirely to the Fauji Foundation.

Like any other citizen, the Rao Sahib has the right to express his opinions, but in view of his past contributions to disaster he should try to avoid sophistry of the sort that led him to decisions that created chaos and led inevitably to Pakistan's dismemberment.

CSO: 4200/525

POLITICAL PRISONERS: ADDITIONAL LIST RELEASED

Lahore VIEWPOINT in English 12 Apr 84 pp 16-17

[Text] THE Political Prisoners' Release Committee has released a consolidated list of political prisoners lodged in different jails of the Punjab.

A Press release of the Committee said that the list was prepared with the utmost care and included the names of most of the political prisoners. However, it added, the names of many detenus could not be ascertained because of certain limitations. It urged the people to give any additional information they had to Mr. Liaquat Ali Warraich, Advocate, General Secretary, Political Prisoners' Release Committee, Lahore High Court Bar Association, Lahore.

The Committee expressed deep concern over the continued detention of Mr. Mehboob Ahmad Khan of the NSO. Mr. Khan has been under detention for the last three-and-a-half years. "Mr. Khan is a law student but thrice he was not allowed to take the bachelor's examination while under detention. His parents have died, his brothers work abroad and his sisters are living alone and there is nobody to look after them. Mr. Khan is very sick in jail and according to our reports, his life is in danger", the Press release added.

It said that Mr. Ali Haider Shah, Khwaja Mueenuddin and Mr. Kamran Haider of Sind were being kept in Multan and Sahiwal jails. "We have urged the authorities that if they don't want to release these detenus, they should at least be transferred to jails near their home towns."

The Committee also regretted the conviction of Rana Farooq, Advocate, to 14 years R.I. because he had failed to appear before a military court. "The fact of the matter is that Rana Farooq had obtained a stay order in the case from the Lahore High Court and continued to appear before the Sessions Court. We demand his release along with the hungerstrikers' in the Kot Lakhpat Jail", the committee said.

The following is the list released by the Committee (names of 163 detenus published in Viewpoint March 22, have been excluded):

Kot Lakhpat Jail:

Women detenus: Amma Nathi; Sardaran Bibi.

Punishment Cell No. 2: Masroor Ahsan Siddiqui (Karachi), Hamid Saeed (Rawalpindi), Anwar Baig, Farooq Kashif, Sharafat Ali, Ch. Azhar, Ch. Bashir, Khalid Beg, Khaliq, Mahboob Khan, Hafiz-ur-Rehman, Ali Mohammad Mughal, Aurangzeb Zafar, Anwar Munshi, Pervaiz, Dilshad Shah, Ch. Mohammad Ashraf, Pervaiz Chhanga, Faiz Mohammad, Arshad, Uman Pathan, Saqib Shah, Ameer Beg, Mohammad Rafi, Khan Mohammad, Mohammad Ameer, Sheikh Qayyum, Babar Sheikh, Mirza Maqbool, Tahir Bhatti, Mohammad Shafique, Jamil Saeed, Zulfiqar, Rafiq, Ch. Inayat, Agha Mueen, Raja Naeem, Khawar, Saleem Abbas, Pervez Butt Mohammad Younas, Imtiaz Khalil, Ditta Shah, Naveed Iqbal, Naseer Iqbal, Ashfaq, Imtiaz, Abdul Rauf, Abid, Zahir Dilshad, Mohammad Akbar, Mohammad Tahir, Mohammad Tariq Gorayya; Shakeel, Talaat, Javid Iqbal, Zahid, Nasir Butt.

Punishment Cell No. 3: Riaz Shahid, Ghulam Sarwar, Shafique Panwala, Sadiq, Sh. Gul Mohammad, Mohammad Ashraf, Rana Ferhat, Mufti Mohammad Shafi, Hakim Ali, Kamal Din, Tariq Gul, Sh. Sajjad, Kamal Din, Tariq Gul, Iqbal Masih, Masroor Hussain, M. Sharif, Mumtaz, Yousaf, Aurangzeb Zafar, Rawalpindi, Imtiaz Ahmad, Sh. Qayyum, Umar Farooq (Taxila), Sh. Gul Mohammad, Gujranwala, Ikhtlaq Shah, Lahore, Mohammad Pervez, Daska, Mohammad Pervez, Distt: Sialkot, Mohammad Changa Nadir, Lahore, Sufi Iqbal, Lahore, Rana Farhat, Daska, Saleem Abbas, Mohammad Sharif, Sind, Mohammad Tahir, Sind, Mohammad Shah, Daska, Mohammad Ashfaq, Rawalpindi, Mohammad Ashraf Khan, Peshawar, Agha Naveed Lahore. (Now confined on death bed in General Hospital, Lahore.) Shaukat Ali Rizvi, Rawalpindi, Mohammad Attiq, Daska, Mohammad Farooq, Lahore, Mohammad Kamal, Lahore, Mohammad Hussain, Rawalpindi.

Punishment Cell No. 4: Aftab Khan, Rahim Yar Khan, Zahid Dad, Lahore.

Punishment Cell No. 5: Sh. Shahid, Lahore, Mohammad Hussain, Bahawalpur, Mohammad Latif, Rawalpindi, Iftikhar Husain Shah, Narang Mandi, Haji Afzal Butt, Ex-MPA, Gujranwala, Mohammad Maqsood Ahmad, Lahore, Malik Mohammad Khalid, Lahore, Tariq Mahmood, Faisalabad, Munawar Asim Bhatti, Gujranwala, Sarfraz Husain Shah, Rawalpindi and Naseer Ahmad, Lahore.

Child Punishment Cell:

Nasim Iqbal.

Under Trial & Detenus in Different Barracks:

Kh. Rashid Anjum, Lahore, Raza Ansari, Malik Hakmeen Khan, Wali-ur-Rehman.

Central Jail, Multan:

Kamran Haider, student leader from Sind.

Sahiwal Jail:

Mohammad Sharif, Chichawatni, Ghulam Rasool, Mohammad Sharif.

Attock Jail:

Jamshid.

Camp Jail, Lahore:

Ejaz Ahmed, Lahore, Mirza Mohammad Ishaq, Javid Hafeez, Lahore, Mohammad Ali, Abbas Ali, Lahore, Mushtaq ul Hassan, Mirza Ishaq, Lahore.

Distt: Jail, Gujrat:

Raja Liaquat Ali Gujrat, Khushi Mohammad, Lahore, Malik Saleem, Munir Husain, Multan.

Distt: Jail Kasur:

Sh. Sohail, Majeed Malik.

Distt: Jail, Jhang:

Javed Akhtar, Malik Manzoor Ahmad Adv., Dr. Khalid, Agha Tanveer, Nemat Qureshi, Ch. Mukhtar.

CSO: 4600/525

END